

THE PROCESS OF GLOBALIZATION IN THE WORLD ECONOMY

Octavian - Dan Rădescu

Free International University of Moldova

Abstract:

The globalization of the world economy is characterized by a huge amplification of the interconnections collaborations and interdependencies between the national states generated from the tendency of the economical objectives and interests to exceed the national borders. Using this obvious truth as a starting base, economical researchers tried to define the globalization in various ways.

In this study we will analyze some different opinions from economic literature, regarding the globalization phenomenon and the mechanisms appeared in this process. We will also analyze the evolution of globalization process during the XX-th century period. At the end of this study we will analyze commercial policies and practices of the EU as one of the main three integration blocs.

Key words: globalization, "waves" of globalization, "First Era of Globalization", General Agreement on Tariffs and Trade (GATT), Common Market.

In the economical literature we encounter so many points of view about the globalization process and so many ways to approach it that any attempt to define this concept in an exhaustive manner would be useless: the complexity of the globalization phenomenon is simply too large to be covered by one definition. Not to mention that we talk about a process being in progress and it is almost impossible to predict its further evolution.

The globalization of the world economy is characterized by a huge amplification of the interconnections collaborations and interdependencies between the national states generated from the tendency of the economical objectives and interests to exceed the national borders. Using this obvious truth as a starting base, economical researchers tried to define the globalization in various ways such as:

- globalization defined through interdependencies between the national economies as a result of the fact that in the XX century each national economy became dependent in a higher degree from the world economy;
- globalization defined as the process of customs taxes reduction and restrictions abolition regarding the circulation of the goods, services, technologies and capital between the states;
- globalization viewed as a factor which determines the reduction of the national governments involvement in global economy as a consequence of the international investments capital growth and of the expansionist policies applied by the transnational companies;
- globalization defined as the process in which the transnational and multinational entities administrate the world.

However if we look closer at these opinions, we observe that despite the fact that all reflect the economical reality, they rather describe the effects of the globalization that define the globalization itself. A similar affirmation can be made about the point of view about globalization presented in a report of the International Monetary Fund from 1997 year: which described the ideal environment for the globalization but does not actually define the process.

The only way that allowed us to understand completely is to study its entire progress and to highlight the turning points of its evolution.

In a report entitled "Globalization, growth and poverty" made by The World Bank, the timeline of the globalization's evolution is divided in three main steps, suggestively called "waves". We will analyze each of those periods in order to establish the characteristics of the globalization and the metamorphoses of this concept during the XIX - XX centuries.

The first stage of the globalization is placed in 1870 - 1914 period and is characterized by the expansion of the international trade. Encouraged by the rapid development of the transportation ways, the national companies decided to expand their activities and began to sell their products on the external market. The liberalization in the 19th century was the perfect environment for that so in a short period of time the international trade and investment known an expansion without precedent. The actors involved in this process were the European imperial powers, the colonies and the United

States of America. As the effects of this period the amount of exports was doubled in the countries mentioned above and the amount of foreign capital was tripled. Also about 60 millions of peoples emigrated in North America;

Even if that period is generally called the "First Era of Globalization", it is vital to mention that would be inappropriate to talk about the globalization as a whole because in that time this process was more like the sum of all individual, independent and different expansion strategies developed by the national and international companies in order to enlarge their profits and less like one organized self sustaining concept.

The tendencies of expansion of the national economies totally collapsed starting with the beginning of World War I, during the economical crises between the wars and in the World War II period. Most of the states were facing with incoherent economical policies, high unemployment rates, nationalism and were forced to develop protectionist measures that slowed the economical growth.

The second stage of the globalization took place in 1950-1980 period and is characterized by the liberalization of the international trade under the General Agreement on Tariffs and Trade (GATT) influence. GATT was initially founded as a part of the plan for economic recovery after World War II in order to create an optimal environment for the expansion of the international trade through reduction of the tariffs. At 1 January 1948 twenty three countries signed the agreement: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, the Republic of China, Cuba, the Czechoslovak Republic, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, the United Kingdom, and the United States.

The reduction of the tariffs was accomplished during eight rounds:

Name	Town	Date
I	Geneva	1947
II	Annecy	1949
III	Torquay	1950-1951
IV	Geneva	55-56
V "Dillon" Round	Geneva	60-61
VI "Kennedy" Round	Geneva	64-67
VII "Tokio" Round	Tokio	73-79
VIII "Uruguay" Round	Geneva	86-94

In this second step of globalization, the states with powerful economies achieved a degree of development without precedent. The amount of their exports became larger and larger and their transnational companies known a huge expansion (some of them created branches in more than twenty countries). At the opposite pole the countries with economy in development were focused on the exports of the basic products and did not have the opportunity to benefit from the capital flows. Because of this situation large differences between the development degrees of the countries appeared.

The huge expansion of the global economical system was not originally anticipated when the bases of GATT were put at Bretton Woods Conference. Started as a measure designed to help the world to recover after World War the global financial system turned to be so profitable that became impossible to talk about economical development without mention it. If in 1870 - 1914 the global economy was an option, in 1950 - 1980 period became the only option.

The third stage of the globalization process began in 1980 and continued until the present days. It is characterized by an accentuated development of the telecommunications and huge progresses in the exploration of the cosmic space. This period is often called "economy without borders" because the modern technology increase the speed of the long distance financial trades. In January 1995 was created the World Trade Organization (WTO) which is the successor of GATT. WTO is the only international organization that establish the legal bases in the trades between the countries. The main goal of this system is to achieve maximal liberty for the commercial flows without undesirable secondary effects.

Commercial policies and practices of the European Union

The unification of Europe was a long and complex process. After the World War II, the political environment was favorable to the unification of Europe.

In 1949, the Council of Europe was founded to promote political and social unity in Europe. Later in 1952, the European Coal and Steel Community was founded in order to modernize the production of coal and steel, to ensure the distribution of its in identical conditions on the territories of Germany, France and all countries that will become members, and to improve the work and life conditions in this industry. Economic integration and unity was brought to a head in March of 1957 when the European Economic Community and the European Atomic Energy Community were formed. These two treaties were used to help stabilize and form the ECU. All three of these organizations/treaties were essential to forming what is today called the European Union. The European Union/European Monetary System failed for three basic reasons in the early 1990's.

The current European Union has been a result of recent treaties. The first treaty that was signed in February 1992 helped the unification of Europe be that much closer. It set the groundwork for one currency throughout Europe. In order to update the current treaties the Amsterdam Treaty was signed as a result of the Intergovernmental Conference. This treaty resulted in a plan to listen to the citizens, get closer to a more secure Europe, to make Europe more vocal throughout the world, and to make the European Union more efficient. As of January of 1997 there were 15 countries belonging to the regional and economic European Union. The countries currently involved are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. In the future the European Union hopes to grow and add more countries to this list. The banking system that the European Union uses is a Central Banking System. With the evolvement of the Euro the economics of Europe will be easier to maintain.

As of January 1, 1999 the national central banks and the European Central Bank were formed to help institute the monetary policy using the euro.

There are many advantages to having a united Europe to the people of Europe. One benefit is trade. There is now a free movement of goods, services, people and, money within the countries belonging to the European Union. Having a united Europe, which will result in the euro, will benefit information technology, administrative changes, and the information and training of employees.

The commercial policy of the European Union is focus on the idea of a Common Market that will ensure the free circulation of the products, services, persons and capitals between the members of UE . The bases of the Common Market were put in 1957 when the Treaty of Rome was signed and represented the most ambitious project promoted by the European Union. The main objectives of the Common Market are:

- economical cohesion - each national economical policy should be adjusted at the others economical policies;
- harmonization of the social policies - the citizens of all the countries members of UE should benefit from the same rights and life conditions;
- coordination research and technological development efforts;
- monetary cooperation;

The optimal environment for the Common Market must ensure the following conditions:

- free circulation of the products, services, persons and capitals;
- harmonization of the VAT rates;
- a qualified majority into Ministry Council;
- the control of the Community about the concurrenial policies;
- a common commercial policy;
- reciprocal recognition of qualification standards and proceedings;
- right to residence for the persons which does not have a job;
- a unitary point of view regarding the public acquisitions;
- an increased amount of structural funds.

The Unique Market became the biggest free-trade zone of the world: over 370 millions of people lives here.

Conclusion

Even if the evolution of globalization process during the XX-th century period encountered various forms of manifestation and the mechanisms appeared in this process were different from area to area and the stages of the globalization required long periods, there is no doubt that the globalization of the world economy will be accomplished in the near future. The amplification of the interconnections, collaborations and interdependencies between the national states generated from the tendency of the economical objectives and interests to exceed the national borders, and the economical success of the European Union allowed us to affirm that the question is not longer "if" the globalization of the world economy will be completed but "when" the globalization of the world economy will be completed.

Bibliography

- [1] Balassa B., (1961), *The theory of Economic Integration*, London,
- [2] Bari Ioan, (2001), *Globalizare și probleme globale*, Ed. Economica, București
- [3] Bică Gheorghe, Constantinescu Mădălina, *Economie Europeană*, Ed. Sitech, Craiova.
- [4] Bran P., *Rlaltii financiare si monetare interntionale*
- [5] Bye M., (1965), *Relations economiques internationales*, Paris
- [6] Gribincea Alex., (2001) *Globalizarea economica*, Universitatea de Stat, Moldova
- [8] Lawson T., (1997) *Economics and Reality*, Londonon
- [9] Popescu Ion (2000), *Paradigme ale progresului social-economic*, vol. I, II și III, Ed. Fundației "România de mâine", București
- [10] Ion .A Popescu, Aurelian A. Bondrea, Mădălina I. Constantinescu (2004), *Globalizarea - mit și realitate*, Ed. Economică
- [11] Popescu Ion, Rosu-Hamzescu I., (2002), *Noua economie si societatea internationala*, Editura Mondo-Ec, Craiova
- [12] Porter E. Michel, (1990), *The Competitive advantage of nation*, New-York, The Free Press
- [13] Rosca Petru, (1977), *Economia generala. Manual*, Chisinau ULIM
- [14] Rosca Petru, (1998), *Previziunea economica. Manual*, Chisinau ULIM
- [15] Soros George, *Criza capitalismului global: Societatea deschisă în primejdie*, Ed. Polirom ARC, Iași