KEY CHALLENGES OF FUTURE PATH OF GLOBALISATION IN GLOBAL ECONOMY

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Abstract: In this document political, economic, social and cultural aspects of globalisation are presented. Positive and negative effects of globalisation on the economic and overall social welfare will be explored. This document contains successful examples of global economies, as well as impact of globalisation on countries in transition. Since the increase of multinational companies is one of essential features of economic globalisation, a part of the document is devoted to the consideration of their role in this process. At the end this document, the expected future challenges in that process are presented.

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Reikšminiai žodžiai: globalizacija, globali ekonomika, globalizacijos aspektai, lobalizacijos poveikis, dilemos ir iššūkiai.

“IF YOU ARE FAST AT SAYING YES, YOU WILL BE FAST AT SAYING NO”
German saying

1. Introduction

With regard to globalisation, we can simply say that today globalisation is everything, and everything is globalisation. The current issue of our times is so controversial, and everything about it becomes a subject of great polarisation and conflict of rival views.

However, most authors agree that globalisation is nothing new, that it refers to an old process that began more than 100 years ago (Hirst and Thompson, 1999). The beginning of these processes can be related to the second half of the nineteenth century, when thanks to technical and technological innovation, industrial revolution, the importance of transportation, costs were drastically reduced and when it came to the first major trade liberalisation. If we compare this period to the present day, we can find
much similarity. In the period from 1800 to 1913 international trade doubled and rose from 3% to 33%. And characteristic for this period of globalisation was the reduction of barriers in trade relations and sharp decline in transportation costs (due to the development of railways and steamships). The first phase of globalisation continued until the beginning of World War II. Between the two world wars, which marked a major economic crisis, the globalisation process was terminated; international flow of goods and capital were reduced due to the strengthening of protectionism.

After World War II, the globalisation process was again revived, with institutions like the IMF and the GATT on the front, acting in the direction of removing trade barriers and early use of information technologies. Two sources of globalisation accelerated cross-border flow of goods and capital. One of them was technological progress, which reduced communication costs and barriers of time and space that separated national markets, and other sources of liberalisation.

Now the so-called weightless economy, or “economy of knowledge” dominates (Giddens, Haton, 2003), in which information and knowledge have become the main production resources. The new pace of globalisation is perhaps best illustrated in the ad of the famous transnational corporation Merill Lynch, which says that “The new world is only ten years old and was born with the fall of the Berlin Wall in 1989.”

Whenever we interpret globalisation, even following the attitude of its supporters claiming that it is a process that helps to reduce poverty, increase living standards, or its inclined opponents claiming that globalisation reduces the number of jobs, contributes to the widening gap between rich and poor, one thing is unquestionable, namely that globalisation is an unstoppable process that is not an option.

2. Definitions of globalisation

Of the prominent authors who have tried to clearly define globalisation in general three can be mentioned. The first one was Samuel S. Kim, who said: “I define nationalism globalisation as a series of complex, independent or related processes that are wider, intensifies and accelerates global interconnections in all areas of human relations and transactions - economic, social, cultural and environmental life, political, diplomatic and security - so that events, decisions and actions in one part of the world now have consequences for individuals, groups and countries in other parts of the world.” Another well-known expert on globalization issues, Anthony Giddens views globalisation as the intensification of social relations at the global level, linking distant places in such a way that local happenings shape the events that occurred miles away and vice versa.

An interesting definition is provided by Urlich Back who supports the approach that globalisation means the disappearance of borders between available empirical everyday activities in the various dimensions of economic, information, ecology, techniques, something experiential duress elemental changes every day and all forces to adapt and respond. Money, technology, goods and information “exceed” the limits as it does not exist. Even things, people and ideas that the government would like to hold
off the ground (drugs, illegal immigrants, critics of human rights) are finding their way. Thus understood, globalisation means the abolition of distance, in turn often unwanted, incomprehensible forms of transnational life - or, defined according to Anthony Giddens - and action (jointly) life through and through distance (seemingly separate worlds of nation states, religions, regions, continents). Like all things and phenomena, globalisation has its positive and negative sides. It is therefore both difficult and easy to talk about the process. The essential characteristics of this process are duality, bipolarity, comparative progress and regress, the “light” and the “dark” side.

What is indisputable is that globalisation is a phenomenon that has become reality affecting our lives and causing strong debates about whether it brings more benefits or vice versa. In addition, there is no doubt that in economic terms (but not only economic), globalisation reduces or abolishes barriers to international economic exchange, by increasing economic integration among countries. The fact is that the so-called “Second round of globalisation” (Friedman, 1999) in form and intensity of globalisation fundamentally differs from the “first round of globalisation” (prior to 1914).

Although it was not easy to classify the leading theories of globalisation and to cover all the different approaches to this phenomenon (Mittelman, 2002), we can say that two general trends of globalisation have separated, with many variants present. Even though it is generally accepted and widely used and provides an easier theoretical orientation of the phenomenon called globalisation, this division in any case cannot serve as a rigid, rough division with strict boundaries (Held and McGrew, 2000). Many authors who have dealt with this issue cannot be classified in one direction, given the attitudes and understanding of certain issues related to globalisation, it could equally classified into two and even three directions.

The first direction includes authors who see globalisation as an ideological mask that conceals real processes occurring under the auspices of the transformation of the capitalist system and that are crystallised in the literature and named “skeptics”. It should be noted that the sociologist Wallestrein (Robinson, 2011) stressed that “the discourse (globalisation) is actually a huge lack of understanding of contemporary reality – deception imposed by powerful groups” (Wallerstein, 2000). In Wallestrein’s opinion a discourse of globalisation leads to misunderstanding of the real crisis the world is in. This direction belongs to all the authors who believe in the myth of globalisation, the authors of the traditional school of international relations, as well as the authors arguing that globalisation is not an unprecedented phenomenon, since similar integration of the world economy occurred earlier. The second direction is more versatile in the theoretical, methodological and even ideological part. It comprises authors who emphasise their stance width, depth and intensity of the changes that have occurred in recent times, no doubt in all spheres of social life. Their interpretation is known as globalisation, given the exclusivity of the attitudes and approaches, they are known as “hyperglobalists”. This direction was marked by Levitt, Ohmae, Strange, Friedman and others. The essential difference between them is expressed through the division of the supporters of this movement into so-called “positive” and “negative” hyperglobalists. Proponents of theory modernisation and the classical Marx approach perceive the concept of globalisation, on the one hand, as
a continuation of imperialism, Westernisation or even Americanisation of the world, and as a continuation of imperialism and colonialism on the other. Both concepts are present in those who are positively related to globalisation, as well as in those who “attack” it. We point out that the supporters of traditional theoretical concepts have more dominant influence in the scientific sense, but this effect is present and has a strong impact on the layman's understanding of contemporary global processes.

This theoretical understanding of globalisation belongs to the authors who deal with international relations which have tried to correct some shortcomings of the classical model of modernisation. This progress has come to the fore through the re-definition of international relations map that occurred after the end of the Cold War. However, the classical edition of this movement insists on the national state as the basic analytical unit, and whether supporters of this line belong to the “sceptics” or “hyper-globalists”, they all belong together to the international relation. Theoretically, the most diluted direction belongs to authors who, despite of all the differences, like the fact that they accept the concept of globalisation as a concept that can best describe the relationship with the late twentieth and early twenty-first century. It is a far more moderate option (so-called “golden mean”), known in theory as “transformationists”. According to the authors who belong to this direction and repugnant contingency process (Held et al., 1999), which is characterised by ambiguity and uncertainty, and cannot be treated as a state of complete and stable order (as treated by the “hyperglobalists”).

3. Different aspects of globalisation

Intense process of political integration of sovereign community board is present in the so-called political globalisation. This process was intensified by the fact that a growing number of issues of economic, military, ecological, cultural character are to be dealt with outside the national boundaries of individual states. In that way the number of “horizontal networks” is increasing, while the “vertical networks” are strengthening as networks of supranational political institutions globally resolving certain issues. The theory is treating the role of the government as largely redefined, and some are prone to consider the ultimate end state and its role (Douglas, 1998).

Developments in the modern world strongly deleted the boundaries between countries, often denying them, making them blurred and propulsive. Responds to the current common problems, such as ecology, human rights, terrorism, drugs, etc., increasingly require cooperation among countries through various forms of political connections, such as bilateral agreements, international regimes, agencies, cooperation, and various other networking forms.

We are witnessing a process of creating transnational “para-state” in the form of supranational political governance that creates a unique global space. Therefore, the intricate symbiosis of politics and economy are getting stronger globally.

The most intense and most obvious aspect of globalisation is the economic aspect. The globalisation of economic flows was first associated with the topic of globalisation.
There is no doubt that this aspect of globalisation has led to growing economic integration and obtained the global connections and ideological grounding of economic development to neoliberalism and market fundamentalism. Three regional blocs in the world economy have been created (the USA, the EU and Asia) and three international economic institutions (IMF, WB and WTO) that have a strong influence on international economic relations. This aspect of globalisation limited the role of sovereign nation-state, market expansion over the entire planet without visible boundaries of the process, the accumulation of wealth in fewer and fewer countries, and growing disparities between the rich and the poor. More than 20 years ago, “farsighted” economists have predicted the creation of a new, global economy, which is obviously different in many ways, compared to the widely accepted international economy.

Also, it is obvious that transnational capital does not have much understanding for social policy, equal care for all population layers, especially for those who are unable to generate profit. No matter on the remarkable economic prosperity to which the economic aspect of globalization led, it is obvious that the benefits are not even close to the fairly distributed (Arifovic, 2010).

However, globalisation is not an option (alternative), it is inevitable. Certain issues must be resolved through such international order in which the powers and freedom of the state, corporations and individuals will be more clearly defined, so that the state could provide adequate protection. After global economic crisis it is more than clear that the basic attitudes and concepts of neo-liberal economists have to be modified and amended, and the role of the state restored and strengthened, especially in certain spheres of social life.

Apart the political and economic aspects of globalisation, it is no less important and interesting to consider the relationship between social policy and globalisation, and social aspects of globalisation (Świątkowski, 2011). The liberalisation of the economy at the macro level has led to increasing inequality between and within countries, growth of poverty, increased level of vulnerability of people due to social risks (crime, unemployment). In the pre-globalisation period, the autonomy of managing national economies gave states the option to determine their own destiny. However, the process of globalisation in many ways had an impact on this situation. Popularity in over-budget spending declined (due to the withdrawal of foreign capital), ability of states to create their own tax policy was reduced (due to significant competitive low tax rates), possibility of independent development of certain strategic sectors and industries declined, TNCs are heavily infiltrated with capital, technology and management in many countries, creating the economic environment.

At the end of this review the cultural aspects of globalisation will be discussed. Culture, discussed in the context of globalisation means the awareness of belonging to the world community. All this leads to homogenisation of tastes, lifestyles, languages, etc. In this way, cultural differences disappear (Kirmse, 2010), and the brands are treated as “own”. On the other hand, the same process leads to the formation of powerful monopolies in the production of technical and technological means to produce the world's cultures. The concentration of power is expressed in the world’s news agencies, and about
90% of total world production of information, the press, radio and television is the product of a few international news agencies. The vast machinery of media monopoly create awareness of reality and shape public opinion (Mitu, 2011), and undoubtedly create awareness of hyper-reality and artificial reality. Unlimited possibilities of information technology and the Internet (Borghoff, 2011), have extended the dispersion of culture. We can conclude that the cultural dimensions of globalisation (Ghosh, 2011) as a powerful global industry have become a key lever of the global order of power.

4. Advantages and disadvantages of globalisation

Bearing in mind that globalisation is a repugnant process (Pichler, 2012), we believe that the objective can only be considered by examining the positive and negative effects of this process. Certainly, the current world economic crisis has demonstrated the advantages, boundaries (limits) and weaknesses of globalisation. At the same time, this crisis has confirmed the thesis of the increasing interconnectedness and interdependence of the developed countries and developing countries and transition economies in addressing key development issues of the world economy. Obviously, the extent of the crisis overcomes capabilities of one country. Therefore, “global response” to open the perspective for a dynamic and sustainable economic growth and development in the world is needed. Even the existence of numerous dilemmas, positive effects of globalisation on the economic and social prosperity are indisputable. Some of the main positive economic impacts of this process are:

- the growth of international integration of markets of goods, services and capital, which is achieved due to the unprecedented scope and intensity of world trade, global financial flows and the production of transnational corporations (Held and McGrew, 2000);
- the encouragement of a new global division of labour, which is due to a number of manufacturing processes to reallocate global scale (Dicken, 1998);
- greater freedom of movement of goods (lowering barriers to international flows of goods and services, which resulted in increased interest in international specialisation and has led to rapid expansion of international economic transactions);
- strengthening the intensity of international competition, radical reduction of transport and communication costs (Strange, 1996) due to significant investments in infrastructure (road networks, ports and airports, warehouses, modern equipment and technology, etc.);
- the efficient allocation of savings, and greater mobilisation of savings through a more open approach to the increasing number of financial instruments in different markets - financial globalisation (International Economy, 2011; Singh, 2012);
- easy access to foreign products allows opting between wide quality range at lower cost; the strong integration of national economies into the world economy through trade; higher education level (Hickman and Olney, 2011; Koirala-Azad and Blundell, 2011).
On the other hand, many negative effects of this process are acknowledged (Andreas, 2011, Dewhurst et al., 2011). Some of the most important are:

- globalisation, in the opinion of the many it brings many benefits that are not allocated either automatically or evenly across countries;
- globalisation promotes deregulation, and reduces the role of nation states (Chase-Dunn, 1999; Scholte, 2001), which opens a real danger to enter into the zone of laissez-faire capitalism, which can lead to riots;
- intensification of speculative activities lead speculators make money by switching certain factors of production from countries where they are cheaper into countries where they are more expensive, while producers locate their factories to cheapest places (Soleyman, 2010; Plut, 2008);
- labor - underage workers, extended working hours;
- threatened political and economic sovereignty and the creation of globalism as an ideological concept that brings a universal standard for the whole world;
- the pandemic spread of the economic crisis and other negative phenomena in the whole world, such as organised crime (Das and DiRienzo, 2009), terrorism, drug addiction, etc.

Globalisation itself is neither good nor bad, neither fair, nor unfair, it is simply there, present in all spheres of our lives, whether we like it or not. It is far from being a perfect solution, but if you look at its alternatives - isolationism and protectionism, it is not even the worst solution. Again, globalisation has brought us general liberalisation of trade and financial activities, general deregulation in terms of minimising the activities of the state, the emergence of new actors on the international scene with an ever-growing influence on international economic relations (among them, the International Monetary Fund, the World Trade Organisation, transnational companies). Globalisation should not be considered as a uniform process that reduces all the people and the environment on the same design and behaviour. Pessimistic view of globalisation would be that it destroyed the local culture, and brought wider global inequalities and greatly worsened the lives of the poor.

Like any other process, globalisation certainly has both positive and negative effects. Regardless of what some theorists are inclined to state with regard to a preference of one or another effect, we believe that this process is most objectively viewed in the light of both types of effect (Irani et al., 2011; Schuller, 2011). In addition, many problems are attributed to globalisation, although the source of these problems is far from the globalisation process. We can speak of ways that globalisation should contribute to this solution, if it wants to carry on with the characteristics of universality and integrity.

5. The effect of globalisation on countries in transition

All factors of globalisation have much stronger effect on “small” countries than on the large ones. Smaller countries are typically dependent on foreign trade than larger ones, which makes any change in the world economy have a significant impact
on the economies of small countries. Some authors have tended to emphasise the generally negative effects of globalisation on developing countries in transition, such as the “brain drain”, increase in poverty and inequality and high levels of corruption (Šliburytė Masteikienė, 2011).

However, for countries in transition, globalisation is an additional challenge, given that there is a dilemma of whether to engage in this process or not, but the question is how to do that. Proper identification of causes and effects of the globalisation process is allowing transition countries successfully implement the transition process. One of the key transition elements of the transition economies is certainly their reintegration into the global economy. The data show that the level of GDP per capita in those countries amounted up to two thirds of income earned in the most developed countries of Western Europe, and remained far behind them after several decades of socialism and centrally planned economic management. In the last years of transition progress has been made in liberalising trade and financial arrangements, although there are significant differences between countries in terms of volume of commercial transactions. Most countries have removed restrictions and took steps to liberalise financial flows. Reintegration of transition economies into the global economy is well underway. The success of this process varies from country to country. According to the data of the World Bank, higher results were achieved in trade in relation to financial flows. Integration of transition countries into the global flows is inevitable in a manner that will formulate its strategy of national development and determine their comparative advantages in terms of the “new economy”.

6. Conclusions

Globalisation has become a usual topic in analyses of contemporary social processes. Upon treating it many “fall” into a trap due to the fact that globalisation is a “magic wand” that is a cure for many diseases and problems. However, it is true that globalisation and economic liberalisation bring some positive effects, but also certain social and political issues that are the result of the global functioning of the world economy. In this regard, a number of authors rightfully view globalisation as a controversial phenomenon (Nayak, 2011).

What is absolutely true is that globalisation cannot be stopped. However, some believe that should make it functional (Brown, 2008). It is an open question - how to affirm its positive effects, and limit or stop negative ones.

The global economic crisis has now certainly opened space for the regulation of economic trends at the national level, where necessary and where it is not possible to regulate it with classical and efficient economic institutions (especially in the use of global, financial, human, organisational innovation, and resources). This is perhaps one way of preserving globalisation as a process (Rodrik, 2007).

However, it is quite wrong to conclude that the current relativisation of neo-liberal doctrine and efforts to establish it will lead to the end of globalisation that represents
inevitable and unstoppable process of modern economic developments and the overall social trends.

References

ATEITIES EKONOMIKOS GLOBALIZACIJOS
IŠŠŪKIAI PASAULIO EKONOMIKAI

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