

Impact of Globalization on the World Economic Order and International Business

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Abstract

The paper explores the main nature and characters of globalization, comparative analysis of the views of globalists and anti-globalists on the globalization process, index of globalization - which reflects the integration of different states in the process of globalization. Furthermore, it discusses such topics, as globalization and international business, globalization and international economy, the role of trade and finance globalization as well as that of Trans-National Corporations in the fields of world politics, world economy and international business.

Keywords: globalization, international banks, international business, trade, trans national corporations

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Introduction

The Nature of Globalization

Today, the term "globalization" is one of the most distributed names - widespread. Contemporary world is called – global world and epoch – the era of globalization. The main confrontation in the modern world is interconnected with the tensions between "globalists" and "antiglobalists".

The term globalization got introduced in the 80ies of XX century, namely, in 1983 and marked the integration of the markets of specific products. But, a wider meaning of globalization, namely, creation of the common world society, gradual deleting of differences between national values, abolishment of borders, etc. is used from the 1990's. The term unites all those processes, thanks to which the world nations are united as one common society.

There are five different contents of globalization. First is one **internationalization** which implies activation of ties among the states and gradual decrease of the role of borders. The second is **liberalization**, which is reflected in the integrated economy and free movement of people; under this position globalization is **universalization** – wide distribution of the material and spiritual values in different regions of the world; under the fourth meaning (this is how it is expressed in developing countries and causes the a special irritation) globalization is the dominance of the role of western civilization or westernization. It is its American form; and last, globalization is considered under the **deteritorization**,

when the geographic location, distance and territorial borders lose their first significance.

From the above-mentioned factors it is shown that the main character of globalization is the abolishment of the state and national borders, the replacement of the national economy to the global economy, and national culture – by global culture, and national mentality with the global mentality.

It is clear, that globalization is a very complex and painful process. On the one hand, it implies coexistence from of global, political, economic and cultural processes and, on the other side, local interests, which very often fill each other, but often are in the confrontation with each other. Thus, globalization appears in different ways in different regions. For the expression of the global processes according to the scenario of local development, expression of the local characters, a special term – globalization is used (Sharma, 2009).

Purpose and tasks of the research. The purpose of the research is interrelated to the analysis of different positions of the process of globalization and determination of financial, trade, etc. factors. Also, the role of Trans National Corporations and their impact on the International business and world economy is involved.

Hypothesis. Although the process of globalization promotes strengthening of cooperation among different states, nations and companies from various countries, part of the

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international society does not share the view about positive aspects of globalization. In this regard, it represents a great necessity to use special statistical data and other components, for the explanation of mostly positive sides of globalization.

Methodological base of the research. Theories related to the international economic system played an important role in the construction of research methodology. First of all, the theory of complex interdependence, i.e. approaches, having been worked out in the framework of subsystems and models of the international economic system. In this theoretical frame, private methods of research have been already used: at the first stage, the method of comparative analysis of different views from globalists and anti-globalists. At the second stage, index and trade, financial aspects of globalization, special statistical materials were collected during the discussion about globalization. In the concluding part, comparative analysis of negative and positive aspects of globalization process have been presented.

The results of the presented work are connected with the following issues:

Complex review of different approaches related to globalization;

In-depth analysis of the state involvement in the globalization process by using the methodology related to the globalization index;

Presenting important statistical data related to globalization of trade and finance;

Influence of Trans-National companies on globalization and socio-economic and political processes of different states.

Globalization: Myth or Reality

Globalization, as a complex process, is impossible to be evaluate only from one side as a purely progressive or negative process. Due to it, it is not a surprise that there are radical differences of views among researchers who investigate global processes (Beck, 1999).

There are three categories of researchers: **hyperglobalists, transformationists and skeptics.**

Hyperglobalists consider, that globalization is a significantly new epoch in the history of humanity, which can be called an era of globalization. According to them, the epoch of nation states is over. Economic globalization of production, trade and finance, by the agency of the establishment the transnational net the denationalization of economy has been emerged. It is the economy without borders and the state subordinate to this process. Accordingly, the role of the national state is gradually weakening, the old hierarchy is disintegrating and the new values are appearing, which creates the base for the formation of unified and global civilization.

Hyperglobalists themselves evaluate the process of globalization from various positions: if neo liberals consider as

a progress the dominance the of the market principles over the state authority, neo- Marxists call it a clear example of global capitalism. But, despite ideological differences, both agree that globalization, first of all, is the economic and business phenomenon, on which politics is depended. Thus, in the epoch of globalization, politics and business, from the art of possibilities has been transferred to the clearly shown "economic management".

Skeptics, for the provision of their opinion, very often give statistical data and compare the indexes of the intensiveness of current trade, volume of investments and the number of labor force with a similar period of the beginning of XX Century. Based on those indexes, they make the conclusion, that current globalization is not the historically non precedent event. It is clear, that internationalization of only business and economy, or intensification of relationships among national economies, with regard to the intensiveness of the economic ties, etc. is much less in the contemporary period than within the period of 1870-1914. Therefore, globalization is a myth and the national state is the leading force of business and economy. In international economy we have to deal with regionalization, instead of globalization, because world economy and international business are developing in three main trade and finance blocks – North America, Europe, Asia – the belt of Pacific Region.

The opinion about ending the epoch of the national state and formation of the new, non state-concentrated world political business and economic order is absolutely unacceptable for skeptics. In their opinion, the state is and will be the main actor of the world politics and business relations among national economies. The future of the globalization process depends on the state. National interests are the main factors of the state's action and no global processes can change it. For the skeptics, the idea of the ending of the history or the dominance of the liberal-democratic ideas in the whole world is the utopia and the division of the world on the regional blocks and clashes of civilization is inevitable.

According to **transformationalists**, globalization is the central event of the beginning of the millenium, which causes rapid social, political and economic changes and determines the formation of the modern society and new world order. They are more "moderate" globalists and despite the fact, that in many respects they agree with hyperglobalists, they sometimes also share the opinions of sceptics.

Particularly, transformationalists do not share the opinion of hyperglobalists about the fact, that the modern period is the epoch of globalization, but they do not consider globalization as a myth. In their opinion, global interdependence does not cause any doubt. They recognize that the role of the state under the conditions of the modern globalization has been decreased, but, at the same time, to discuss dying of the state, the system does not have any base. Interstate and interregional relations still play a significant role, but, under the influence of the process of globalization, they also are in the process of transformation. Therefore, modern international environment is the synthesis of interstate, regional and global processes, which determine a very much complex and opposite character of contemporary international business and world politics.

With regard to the main mass of the population, the influence of globalization on their daily life is clear and it is natural that all complex processes cause different reactions. According to this index, the population is divided into different groups: one group evaluates the global processes positively and they conditionally can be called **globalists** whereas the second evaluates the global processes negatively and they belong to the **anti-globalists** category. The third part of the population is at the neutral position.

Index of Globalization

For the expression of the index of globalization or pointing how this or another country is involved in the globalization process, a special globalization index is used. It points the level of involvement of the states in the world political, business, economic, cultural, technological and ecological processes. The index of globalization is measured by the hundred scale system.

According to the summary index of globalization, Belgium (92, 2) was leading, followed by Austria (92, 5), the Netherlands (91, 9) and Switzerland (90, 5). The last places were divided by Solomon Islands (26, 3), Kiribati (25, 5), and Myanmar (Burma) (20, 7). As for Georgia (61.3), it occupied the 69th place among 181 states (Davitashvili & Elizbarashvili, 2012).

Determination of the state's involvement in the global processes is developing into different directions. From the business and economic point of view, Singapore was the most global country, followed by Ireland and Luxemburg. The last places were divided among North Korea, Cuba, Cape-Verde. As for Georgia, it occupied the 30-th place.

According to political globalization, France, Belgium and Italy were leading. As for Bhutan and Kiribati, they were outsiders. Georgia was at the 138th place.

With regard to social globalization, Switzerland, Austria and Canada were the first three states whereas Palau, East Timor and North Korea were the last. Georgia was at the 94-th place.

As to the year 2016, according to the general index of globalization, the first place was taken by the Netherlands - 92.84, followed by Ireland - 92.15, Belgium - 91.75, Austria - 90.05, Switzerland - 88.79. Georgia occupied the 65th place with the score of 64.13. The last positions (192th and 193th places) were shared by Eritrea - 25.07 and Solomon Islands - 23.98.

With regard to economic globalization, the places were distributed as follows: Singapore - 97.77; Ireland - 94.65; Luxembourg - 94.06; the Netherlands - 93.06; Malta - 91.74. Georgia - 83.1 being at the 19th place. Nepal was at the last, 163th place with 24.72.

Social globalization: Singapore - 91.61; Switzerland - 91.13; Ireland - 90.99; the Netherlands - 90.71; Austria - 90.62. Georgia - 57.44 (79th place). Democratic Republic of Congo - 15.83 occupying the last place.

Political globalization: France - 97.29; Italy - 97.25; Belgium - 95.79; Sweden - 95.56; Netherlands - 95.41. Georgia - 48.79 - 146th place. Last, Marshall Islands 19.03 - 190th place (KOF Swiss Economic Institute, 2017).

Globalization, International Business and World Economy

The process of globalization has significantly affected international business and world economy and radically changed business relations. Despite the fact that the national economies still play a significant role in the world economy, but, it is the fact, that the role of the states is decreasing and at the same time, it is increasing the influence of the transnational corporations and quite different obstacles emerge, which were not known before. Particularly, the main problem of globalization is not the intensive circulation of production, finances and trade among different nations, but absolute disproportion, which has been emerged among the states (based on the territorial principle) and economic (as non-territorial, based on global principles) systems (Dreher, Noel, & Martens, 2008).

Global changes in the world economy after World War 2 significantly influenced the process of business and economic globalization. From this point of view, within the new economic order, it was important to establish three main institutes – **International Monetary Fund (IMF)**, which was providing stability of currency rates and support of those states, which could be involved in the economic crisis; **International Bank for Reconstruction and Development**, which later was entitled **World Bank** and the task of which at the first stage was to facilitate private investments, first of all, in Europe and later in other regions of the world and promote economic reconstruction and the **General Agreement on Tariffs and Trade**, which since 1995 has become the **World Trade Organization** the main purpose of which was liberalization of trade. After disintegration of the communist system and ending of the “cold war”, activity of those organizations was spread over the post-communist countries, which was pointing out, that the economy and business principles of the whole world were subordinated to the common principles. This is the main condition of economic globalization.

Globalization of Finances

The term “Globalization” most probably coincides with those processes which are taking place in the field of international finance operations. The volume of the the international currency transactions was determined at the beginning of 70ies of XX century with 15 Billion USD. In 2008 it acceded to 1,6 Trillion USD (Davitashvili & Elizbarashvili, 2012). Growth of financial volumes prevailed the indexes of international trade and production of goods.

Globalization of finances means more interconnections among financial markets, unification and foundation of the unified finance market. The established finance system is common and it is not oriented on any concrete country. Un-

der the conditions of financial globalization, the geographic location loses its importance.

It does not mean, that financial globalization has covered equally the whole world. Three main centers of international business and world economy – USA, Western Europe and Japan account for the pain part of financial operations. The influence of those finance centers spreading over the whole world is another issue. Transnational Finance Corporations are becoming the main agents in the world business and economic space and subordinate under their influence the majority of developing countries, which, actually, have lost control over financial management.

One of the characteristics of financial globalization is existence of the supraterritorial money and, thus, circulation of national currency of a concrete country outside its own territory. From this point of view, the US dollar did not report any competition before the introduction of Euro in 2002. Furthermore, international trade of different currencies is a significant factor. Obviously, in the era of globalization this trade is implemented by telephone, fax and e-mail which clearly indicates that distance has no significance. One more characteristics of the financial globalization is foundation of offshore centers, thus, the possibility of implementing the banking and currency operations on such a territory, where the investor is offered low tax and simplified service. For example, on the British Caiman islands (Caribbean Sea) there are more than 500 offshore banks and their common deposit is half trillion dollars (The Guardian, 2017).

Globalization of Trade

The volume of world trade is increasing more rapidly than that of production. In 2015, production of approximately 16 Trillion USD was distributed among the states, which is four times more than indices of the 80ies of XX Century (WTO, 2016). Foreign goods occupy the market of any country more intensively and it is the result of economic and business globalization. The role of big companies at the world market is most significant. It is enough to mention that “Nescafe”, “Heineken” beer, cigarette “Marlboro” and mobile phone Nokia are on sale in 200, 170, 175 and 130 states, respectively (Davitashvili & Elizbarashvili, 2012). The biggest part of shops is supplied by foreign countries, and opening the new, foreign shops is the common process (for example Italian “Benetton” or English “Body Shop”).

It is clear that occupation of the market by foreign products negatively affects the national economy. It causes radical protests of the local entrepreneurs. Thus, the government is often forced to adopt the protectionist measures, for the protection of its own market and promote the development of national economy. At the same time, it contradicts with the process of liberalization and globalization, and due to it, any kind of limitation from the governmental side, adoption of custom barriers, quotas or tariffs are unacceptable.

At the same time, the protectionist policy is implemented practically in all states, including even winners in the framework of the trade competition – developed states (global

North) which are involved in this process. They try, to protect their market from the foreign, particularly, industrial products of China and new industrial states (South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand).

One of the main characters of trade globalization is electronic trade. The current global customer can purchase everything by a credit card, telephone or internet. The volume of production, having been sold by internet in 1996 was 2,6 Billion USD, whereas in 2010, after 12 years, and in 2015 the volume exceeded 1 Trillion USD (Lemke & Lins, 2016).

This is a unique example of the trade liberalization process, which, according to globalists, can bring us to the unified, global market and disappearance of state protectionism. At the same time, opponents are thinking that non satisfaction of trade liberalization will cause appearance of economic nationalism and decrease the influence of the world market.

TNC as an Important Factor of the Globalization Process

One of the most important actors of International business and world politics are transnational corporations or multinational corporations. They are the business structures, activities of which are spread in several countries. In comparison with the international organizations (intergovernmental and nongovernmental), the main purpose of TNC is to gain commercial profit. During analysis of TNC, the following question emerges: how does in happen that they are independent actors of world politics and international business or do they connected with the states, in which they have been founded? Several authors consider that such type of ties exists, at least, for the part of corporations. The fact that most of these corporations are based in the Northern hemisphere and are the part of the capitalist system and the part of the western style of life, serves as a strong argument. The existence of the national specifics with such corporation, which is acting through the world, or its absence, should be reflected through terminology. At the same time, some research is based on the fact, that TNC possess the national specifics, but at the same time, this character is absent at the multinational corporations (MNC). Other specialists have alternative versions. At the same time, the factor that presence of national specifics at the TNC does not play a significant role in terms of how those companies will act at the international arena. For example, a German researcher U. Beck once mentioned: What is good for “Deutsche Bank, for a long time is not good for Germany” (Beck, 2005), to consider, that the interests of the big business cannot be coincide with the interests of the majority of population.

Somehow other position, but at the same time which also denies the connection of the state and TNC is a different position also denying connection of the state and TNC is also related to the fact, that transnational corporations are going outside of the national-state borders and de-facto “stop the agreement about their loyal attitude with the institutes (state agencies) of the national states”. This position was proved by Kegley and Blanton, who give statistics prov-

ing that less than 50% of Japanese work “Sony”; More than half of the profits of IBM, “Procter and Gamble” and other companies are attracted from outside of the US territory (Kegley & Blanton, 2010-2011).

Quantitative rise of transnational corporations, as other actors of world politics and international business, is reported in the second half of XX Century. According to UN estimations, at the end of the previous century, there were 53 thousand TNC-s in the world. Approximately 90% of all TNCs was based in developed states of the Northern Hemisphere, three main economic centers of the world. It is worth mentioning that more than 12 million people used to work only in the first one hundred leading TNCs of the world in middle 90's. But in 2006, the number of employees prevailed 75 million people (Lebedeva, 2007). According to the information of the researchers Rourke and Boyer, one of the biggest TNC “General Motors”, produced 161,3 billion USD, which is more than GDP of several countries, including, developed ones. To compare it with GDP of Greece within this period, it stood at 137 Billion, Israel – 96,7 whereas Ireland and Slovenia shared 59,9 and 19,5, respectively (Rourke & Boyer, 2009). Comparing the volume of GDP with capital of TNC's is obviously not right. In this case, it is important to underline the fact that TNCs own huge capital.

The share of the production of TNC's in the world gross domestic product within the period of 1970-2007 increased from 17% to 35%. To be more specific, chemical products produced in the world, machinery industry and pharmacy industry account for 82%, 79% and more than 90% of the share of TNC.

If we list the countries and trans-national corporations according to the incomes, within the first one hundred units there will be 53 TNC and only 47 states (Davitashvili & Elizbarashvili, 2012).

It is worth mentioning that developed countries account for only 20% of employees, and it can be considered, that among 500 biggest transnational companies, 170 are European, 162 - American and 126 Japanese (according to the location of headquarters). i.e. 92% of most powerful TNC-s is located at the three main economic centers and the location changes many branches, which de-facto, covers the whole world.

Increasing of TNC is stimulated by the development of transnational banks – TNB, which implement finance operation in the whole world. Thus, according to Kegley and Wittkopf, 20 biggest transnational banks possessed accesses in the sum of 425 Trillion USD (Kegley & Wittkopf, 2003). TNB produce the capital in a mobile way, giving the opportunity of rapid development of transnational corporations. If we also take into consideration huge finance stock exchanges, in general, financial institutes can be considered in the modern world as actors of world politics and international business.

It is natural, that through possessing such finances, staff and other potential as well as acting in the whole world, TNC and TNB can influence political and economic processes. Transnational corporations are very actively involved in the internal processes of the countries, where they have their

activity and in international life in general. Thus, when the laborers' strike started at the enterprise “Ford”, in one of the Latin American states, representatives of the state structure applied to the leadership of the company with the claim of dismissing the leaders of strike, for preventing disorder in the future. The enterprise did not do it and decided that in its interest was to conduct negotiations with the workers. For this purpose, it offered the foundation of the first in the country trade union of automobiles, which became the base for the formation of the political party.

Finance resources, which control Transnational Corporations, let them act quite effectively at the international arena: in some cases, investments in the economic projects give the opportunity to prevent the development of conflicts. It is well known some mediation of TNC. For example, in 1970s, during the oil crisis, the governments of the OPEC member states gained support from several TNC, which promoted more flexibility of their positions during negotiations with the western countries.

However, activities of TNC have the opposite side. The role of the company International Telephone and Telegraph (ITT) in the events in Chile at the beginning of 1970s is clearly identified. With the view of keeping its interests at the telecommunication service market of Chile, ITT by financing the opponents, tried to prevent election of Marxist oriented Salvador Allende on the post of the President of this country. Then, when he was elected, ITT started to make the influence on the US government with the purpose of creating the problems for the economy of Chile. As a result, President Allende was overthrown following military coup.

By the intension to get the maximal profit, TNC promoted the division of the world by the line “Rich North- Poor South” keeping the cheap, but at the same time high qualified labor force in the countries of “South”. The result of globalization is reflected in the changes, which are going on in the structure and production management of the TNC-s. For example, in 90s “Ford Motors” started reconstruction of the company, the main purpose of which was transferring this company as a real Transnational Corporation. The company will not have the Head Office, and its management would not be implemented from one Center. So, it will be distributed in the whole world and mostly local labor force will be attracted. Production will totally be standardized and it will become possible to produce everywhere the real “Word Automobile”. It will not be considered the product of only one country. This car will be global without any nationality and the trade mark “Made in USA” will be replaced by trade mark “Made in Ford Motors”. This reconstruction clearly expresses the “highest stage” of transnationalization and globalization. Thus, the future of TNC-s in XXI Century will be as follows: transferring of TNC-s into global corporations, the state will lose its economic functions, and for gaining control over the international business market, corporations rather than the states will compete. At the same time, some researchers have a skeptical attitude for the development of such scenarios and consider that the states will keep their economic functions in the future too.

Conclusion

In general, while making a comparative analysis of negative and positive aspects of globalization in the fields of world economy and international business, the following aspects should be mentioned:

Negative consequences:

- Limitation of national sovereignty;
- Increasing the disproportion between economically developed and developing states;
- Readiness for own stability of TNC-s, not only to support the repressive – authoritarian regimes, but also to cooperate with them;
- Interest in keeping cheap labor force in developing countries;
- Negative effect on the national characters by the introduction of foreign technologies and production of companies from the economically developed states;
- Agreements among the TNC-s for the division of international markets and decreasing the competition.

Positive consequences:

- Development of international trade;
- Investments in the economies of developing countries;
- Creation of job places in developing countries;
- Promotion of democratization development as a result of the development the market relations;
- Preparation of national staff;
- Interest in the peaceful resolution of the disputed and conflict situations.

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