

**GLOBALIZATION, CONTEMPORARY PROBLEMS AND TENDENCIES  
OF INTERNATIONAL BUSINESS DEVELOPMENT**

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*Globalization phenomenon have a extremely actuality due to the fact that is a key factor on the increasing interdependence of national states as a result of the expansion and intensification of international relations. The paper aims at presenting and analyzing the main ways of economic development based on the pace of technological progress and expansion of globalization, using different research methods of economic science, especially comparative analysis and statistical method. As a result, data demonstrate that national economic development depends on the participating of the countries to globalization processes at regional and international levels.*

**Keywords:** *globalization, global interdependence, technological progress, political instability, international relations, competitiveness, investment, innovation performance, international competitors.*

*Fenomenul globalizării este extrem de actual datorită faptului că reprezintă un factor esențial referitor la creșterea interdependențelor dintre statele naționale, ca rezultat al expansiunii și intensificării relațiilor internaționale. Lucrarea își propune prezentarea și analiza principalelor modalități de dezvoltare economică bazate pe ritmul progresului tehnologic și a extinderii globalizării, folosind diferite metode de cercetare ale științei economice, în special analiza comparativă și metode statistice. Ca rezultat, datele au demonstrat că dezvoltarea economică la nivel național depinde de participarea țărilor la procesele globalizării atât la nivel regional, cât și internațional.*

**Cuvinte-cheie:** *globalizare, interdependență globală, progres tehnologic, instabilitate politică, relații internaționale, competitivitate, investiții, performanță de inovare, competitori internaționali.*

*Глобализация является чрезвычайно актуальной, поскольку она является ключевым фактором в растущей взаимозависимости национальных государств в результате расширения и интенсификации международных отношений. Статья нацелена на представление и анализ основных путей экономического развития на основе темпов технического прогресса и расширения глобализации, используя различные методы исследования экономики, используя в первую очередь сравнительный анализ и статистические методы. В результате данные показали, что развитие национальной экономики зависит от участия стран-участниц в процессах глобализации на региональном и международном уровнях.*

**Ключевые слова:** *глобализация, глобальная взаимозависимость, технический прогресс, политическая нестабильность, международные отношения, конкурентоспособность, инвестиции, высокий уровень инновации, международные конкуренты.*

**JEL Classification:** *F23, F44, F53, M16.*

**Introduction.** By the end of 1980s, the majority of dictatorships known worldwide, had yielded to democratic and free market ideals spread by radio and television. Since then, in addition to undermining the Berlin Wall and shredding the Iron Curtain, the powerful technological forces of the Information Age have helped to stitch together the economic, political, and cultural lives of nations, making border more permeable to the movement of people, services, products, and capital [17, p.198; 18].

In recent decades the world has witnessed enormous economic development, but the generation of wealth and prosperity has been very uneven – so uneven that economic imbalances are seen to exacerbate social problems and political instability in virtually every region of the world. The end of cold war and the accelerating integration and globalization of the global economy have not solved persistent problems of

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extreme poverty, indebtedness, underdevelopment and trade imbalance [10, p.152; 23].

**Globalization.** For many millions of people, globalization has meant greater freedom and prosperity, but for millions of others, the same process has brought economic disadvantage and social disruption. From the perspective of the world's poorest countries, undemocratic global governance has allowed the economic dimension of globalization to dance to the tune of big business. Globalization not only distributes its favors' too unevenly, but also accelerates patterns of unsustainable consumption. Recent financial chaos may prompt world leaders to be more conscious of the complex social and environmental consequences of unrestrained markets [17, p.198].

In current years technology and the internet has revolutionized our capacity for knowledge and interaction. At the same time the global supply chains of international trade deliver exotic year-round affordable foods, over 900 million people in the developing world experience hunger. The extension of globalization is understood as a process of increasing the inequality worldwide. The search of effective development model for developing countries that which did not implement globalization process reflects the anxiety of the winners.

Interdependence between countries and globalization has become known worldwide as a consequence of its rapid acceleration. The diffusion and free circulation of people, commerce, knowledge and culture across the world has spread since the extension of globalization.

In recent years is only the most population that, driven by the wonders of advanced technology and the efficiency of new technology of transportation, the intensity of interdependence has led to controversial results.

The challenges and the rhythm of change is most apparent in high and middle-income countries. We must recognize that most everyday household goods and clothing are imported from a companies produced in several countries and most of them from China; international banking and insurance services are provided by a special centres from India; a international tourism can support the family's privacy by implementing some social media interaction.

Global interdependence is affecting the way virtually all governments think about international relations and practice diplomacy. The more engaged in and affected the process, the more they must change. For the all governments, therefore, the imperative for change is especially powerful, and it is felt most acutely in the building institutions for diplomacy [18, p.70].

Paradoxically, while globalization induces international cohesion and empowers international enterprises, it also accentuates the limitations of national power. Governments are often too cumbersome to respond effectively to transnational threats – including when those threats are manifest within their borders. Partly as a result, political authority is devolving from the top down and from center outward, to local and regional governments, and to community organizations working at the grassroots [18, p.75].

We agree that the important source of divergence is in the national economic development, what was emphasized by the authors Fukuyama [5, p.388], Olson [9, p.297] and DeLong [3, p.198] has arisen because of political system, which has influenced the choice of economic development and policies. The countries that attempted to “develop” behind the “Iron Curtain” have much lower income per capita than countries which had a comparable income per capita in 1950 and followed the capitalist path participated in the process of globalization [12, p.638].

**Technology Facilitates Globalization.** The most obvious examples involve the comparative development experiences of East and West Germany, North and South Korea. At the same time, a comparison between other neighboring countries seems reasonable, for example, comparisons between Russia and Finland, Hungary and Austria reveal significant differences in living standards. *The renaissance of economic growth research* of the examples mentioned above, the most dramatic ‘natural experiment’ has occurred in the Korean peninsula during the second half of the twentieth century [12, p.601]. Following the surrender of Japan in August 1945, Korea was divided at the 38th parallel into two zones of occupation, with armed forces from the Soviet Union occupying the ‘North’ and American armed forces occupying the South. In the summer of 1948, following the May elections, the American zone of occupation became the Republic of Korea, and in September 1948 the northern zone became formally known as the Democratic People’s Republic of North Korea. Both ‘Koreas’ claimed full political jurisdiction over the entire Korean peninsula and this disagreement led to the Korean War, which lasted from June 1950 until the armistice of July 1953. Since then the 38th parallel has remained the dividing line between the two Koreas, with the ‘communist North’ adopting a centrally planned economic strategy and the ‘capitalist South’ putting its faith in a capitalist mixed economy. As the data in Tables 1 and 2

make clear, the impact of these choices on living standards in the two Koreas, made some 50 years ago, could not have been more dramatic. As Acemoglu [1, p.277] notes, a distinguishing feature of Korea before separation was its ethnic, linguistic and economic homogeneity. The north and south are inhabited by essentially the same people with the same culture, and there were only minor differences between the two areas. Therefore, this natural experiment, of dividing the Korean peninsula into two countries, each distinguished by very different policies and institutions, gives a clear example of how, despite the very similar economic conditions, political leaders often chose very different policies with very different outcomes [12, p.638].

Angus Maddison's [8, p.214] data indicate, per capita GDP in two Koreas in 1950 was \$770 (at 1990 international prices). By 1998 in North Korea had only risen to \$1183. In sharp contrast in South Korea it had risen to \$12 152. Data from 2015 indicate, that GDP per capita in North Korea reached 1800 in comparison with South Korea where GDP per capita was \$27 222.

Table 1

## A tale of two Koreas

Indicator	Population ('000)	GDP PPP \$ millions	GDP per Capita PPP \$	Population ('000)	GDP PPP \$ millions	GDP per Capita PPP \$
Year	North Korea	North Korea	North Korea	South Korea	South Korea	South Korea
1950	9 471	7 293	770	20 843	16 045	7 70
1955	8 839	9 361	1 054	21 552	22 708	1 054
1960	10 392	11 483	1 105	24 784	27 398	1 105
1965	11 869	15 370	1 295	28 705	37 166	1 295
1970	13 912	27 184	1 954	32 241	62 988	1 954
1975	15 801	44 891	2 841	35 281	111 548	3 162
1980	17 114	48 621	2 841	38 124	156 846	4 114
1985	18 481	52 505	2 841	40 806	231 386	5 670
1990	20 019	56 874	2 841	42 869	373 150	8 704
1995	21 553	32 758	1 520	45 081	534 517	11 873
1998	21 234	25 131	1 183	46 430	564 211	12 152
2008	23 790	25 960	1 114	49 044	969 871	20 015
2012	23 746	15 907	1115	50 062	1,129,598	25 097
2013	24 346	16 565	1200	50 219	1,304,468	28 430
2014	24 662	16 570	1800	50 230	1,410,383	28 166
2015	25 030	17 400	1800	50 293	1,377,873	27 222

Source: Calculated by the author based on the data of Maddison [8, 12, p.639].

The World Bank Group (2016) data, Table Life expectancy at birth, total (years), indicate that the 50,3 million people living in the South had a life expectancy of 82 whereas for the 25.03 million people living in the North, life expectancy was 76 and in recent years North Korea has been experiencing a famine.

As the data in Tables 1 and 2 make clear, the impact of these choices on living standards in the two Koreas, made some 65 years ago, could not have been more dramatic. Distinguishing feature of Korea before separation was its ethnic, linguistic and economic homogeneity [1, p.107]. The north and south are inhabited by essentially the same people with the same culture, and there were only minor differences between the two areas. Therefore, this natural experiment, of dividing the Korean peninsula into two countries, each distinguished by very different policies and institutions, gives a clear example of how, despite the very similar economic conditions, political leaders often chose very different policies with very different outcomes.

Table 2

## Growth rates of per capita GDP (%): the two Koreas

	1950-75	1975-98	1998-2015
North Korea	5,84	-3,44	3,86
South Korea	5,84	5,99	2,62

Source: Calculated by the author based on the data of Maddison [8; 12, p.640].

The data in the tables above demonstrate that economic development on the national level depends on the involvement of the countries in the regionally and internationally globalization processes. Which will be interdependence from the democracy, the quality of governance and growth? Does growth promote democracy or does democracy promote growth? Recent research into the link between democracy, dictatorship and growth has produced support for both of the above linkages. Barro [2, p.335] provides evidence in support of the Lipset [7, p.499] hypothesis, which suggests that prosperity promotes democracy. Research provided by Barro confirms this hypothesis as a 'strong empirical regularity'. Since the empirical evidence also supports the hypothesis that economic freedom promotes prosperity, Barro concludes that policies that promote economic freedom will also promote greater democracy through the Lipset prosperity effect. It is certainly indisputable that there has never been a liberal democracy (free and regular competitive elections) where there is an absence of economic freedom (see Friedman [4, p.315], Kornai [6, p.395] Snowden [12, p.640-641].

**Innovation performance and trends.** Globalization of innovation grows of the countries knowledge economy, it enhances competitiveness and it creates a prosperous future for state. This is why innovation features prominently in the ten priorities of the development of the economy of the country.

The *European Innovation Scoreboard 2016* [15] gives an assessment of the EU and Member States' innovation performance, as well as that of key international competitors. Its 25 indicators give a detailed analysis of the strengths and weaknesses of Member States on the basis of important innovation drivers – from research systems and public and private investment, to the economic effects of innovation. The EU has a lead in innovation performance over many other countries, while China is making swift progress. In addition, the EU is catching up with Japan and the United States, but is still losing ground to South Korea [15].

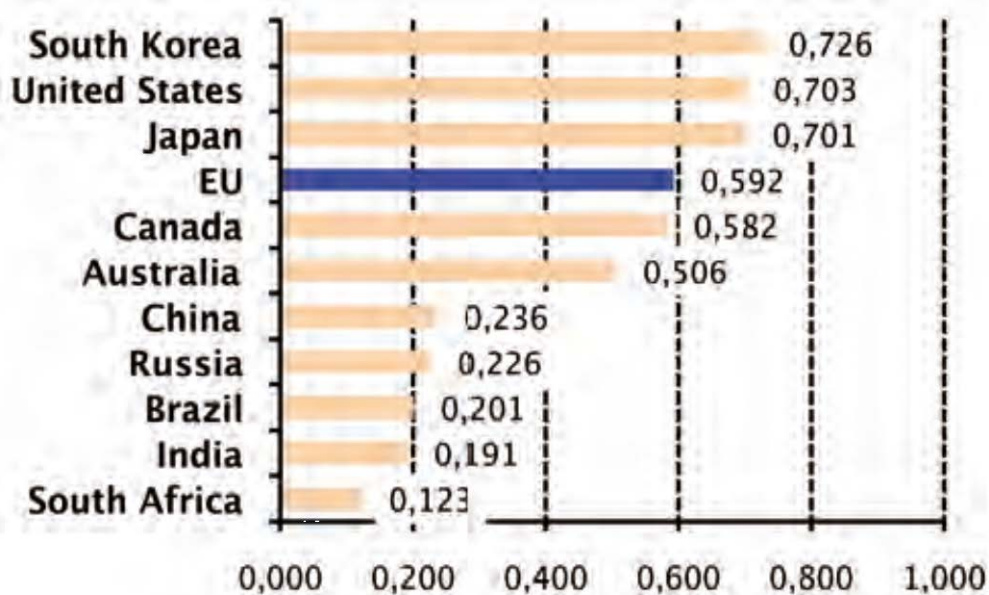


Fig. 1. Global innovation performance

Source: *European Innovation Scoreboard 2016* [14, p.30].

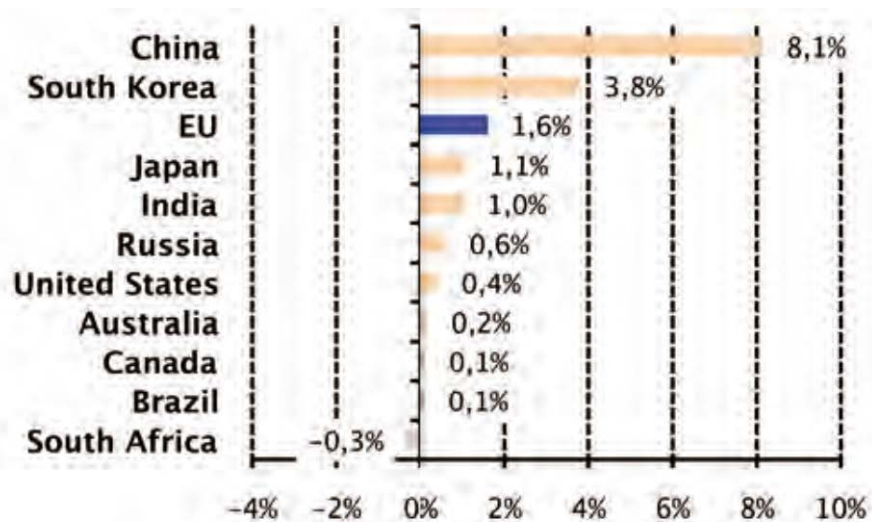


Fig. 2. Global innovation growth rates

Source: *European Innovation Scoreboard 2016* [14, p.30].

Average performance is measured using a composite indicator – the innovation index – building on data for 12 indicators ranging from a lowest possible performance of 0 to a maximum possible performance of 1.

South Korea, the US, and Japan have a performance lead over the EU (Figure 1). The performance lead has been increasing for South Korea as its growth rate has been more than twice that of the EU (Figure 2). Innovation performance for the EU, however, has been improving at a higher rate than that for the US and Japan. As a consequence, the EU has been able to close part of its performance gap with the US and Japan over the last eight years.

**Average annual growth rates of the innovation index have been calculated over an eight-year period.** But, most of the low income countries have been less fortunate and there is rising concern that the global poor have been left behind in the slipstream. Many of the developing countries are a world apart from globalization [15, p.30]. Global trade and investment flows largely pass them by, despite the often considerable progress they have achieved in liberalizing and deregulating their economies and opening their borders to international trade and investment [20]. In the past decade, for example, net foreign direct investment (FDI) from OECD countries to the developing world increased by 270% – but the lion's share of it was attracted by a handful of Asian and Latin American countries. Developing countries similarly have a growing share in trade currently accounting for a quarter of world exports – but Africa's share is a meager 1.8% of the total, and has been falling steadily [21].

These imbalances give cause for broad concern. Evidence from recent World Bank studies show that integration in global markets through FDI and trade flows creates economic growth and employment. Trade and investment are the principal mechanisms for the transmission of innovative ideas, marketing networks, more effective management practices, new production and packaging techniques, and consumer-friendly design – all prerequisites for competing in global markets [21].

I agree with the author Joseph E. Stiglitz mentioning that the advanced industrialized countries, through international organizations such as the International Monetary Fund, World Trade Organization and World Bank, not only do everything possible to help those countries, but sometimes they made difficult situation for them [14, p.9].

The successful integration of the developing countries into a globalizing world economy is logically a direct concern for the development co-operation efforts of developed countries. Donor's countries are recognizing that they have a stake in helping the less-advanced countries and their populations find their place in the global economy. Poverty, misery and marginalization in large parts of the world threaten the prospects of rich and poor alike.

In the poorest developing countries human, institutional and industrial capacities are not adequate to produce on the demanding terms required by the global market-place. Trade and investment flows – essential for stimulating the growth necessary to absorb burgeoning labor forces – have considerable scope

for expansion across the developing world. Yet many of them may find integration very difficult unless there are strong catalysts in the form of international support and co-operation. Developed countries donors are committed to work with their partners to reduce by half the number of people living in poverty in the developing world – currently 1.3 billion – by 2015 [21; 22, p.36]. Strengthening the trade capacity and investment appeal of these countries is an important means to this end. Donors are increasingly turning their attention to how development co-operation can spread the benefits of globalization to a larger proportion of the world's population, by, for example, promoting joint ventures, stimulating technology acquisition and building trade capacity [21; 22, p.37].

Recently, researchers have claimed that the growth effects of globalization depend on the economic structure of the countries during the process of globalization. The impact of globalization on economic growth of countries also could be changed by the set of complementary policies such as improvement in human capital and financial system. In fact, globalization by itself does not increase or decrease economic growth. The effect of complementary policies is very important as it helps countries to be successful in globalization process [19]. It is interesting that according to some authors, the concept of "internationalization" is an evolutionary process in which national productive systems tend to turn into a unique production system concluding that globalization is a precondition of globalization [11, p.93].

The obstacles are substantial. Many poorer developing countries are characterized by an undiversified export base limited to commodities. Countries have limited or inefficient industrial capacity. Their infrastructure (transport, telecommunications and energy) is inadequate or dysfunctional. Their entrepreneurial forces are nascent or weak. They have a shortage of managers, engineers and technicians. Their institutions are weak, and human capital is poorly developed [19]. Many of them also still face high prevailing tariffs and non-tariff barriers from developed countries for their agricultural, textile and metal exports – the very sectors wherein their comparative advantage lies. Yet the current context for drawing poorer countries into the global system is nonetheless extremely propitious:

- most developing countries are well-advanced in implementing structural adjustment and economic reforms geared to strengthening market forces through liberalization and deregulation;
- the basic conditions for good governance are receiving more attention from their governments, often under popular pressure for democratic reform;
- the Ministerial Conferences of WTO trade discussions has created new export opportunities, especially in agricultural, textile and metal products;
- information and other technologies are spawning new services and products with lower barriers to entry;
- strengthened regional integration/co-operation efforts among developing countries will help lock in reforms, create larger markets that allow economies of scale, and provide an intermediate step to the highly competitive global market-place [21].

#### **Conclusions:**

1. This research demonstrated that national economic development depends on the participating of the countries to globalization processes at regional and international levels.
2. To achieve its promise of Globalization, countries would have to maximize the constructive interdependence among all nations – industrialized, developing and poorer alike.
3. International system that govern the globalization is not correct, being elaborate for the benefit of developed countries.
4. Free economy, democratization, interdependence are the main factors that give countries the possibility to participate in the processes of globalization for economic development.
5. Marginalization will impose avoid-able costs, in human suffering, reduced choices and opportunities, excessive migratory pressures, damage to the global ecosystem or the spread of conflict.
6. There are the actions of people in the developing countries themselves that will determine in large part the pace at which they can benefit from globalization, but the policies and tools of the industrialized countries, including development co-operation, have their contribution to make [21].

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