

RECONFIGURING THE SPECTRUM OF INTERNATIONAL ECONOMIC RELATIONS UNDER THE IMPACT OF GLOBALIZATION

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Abstract:

The process of globalization ensures the integration individual national economies with the global economy. International economic relations have gained paramount importance in the era of globalization. International economic relations undertaken in the light of globalization have led to rapid development and decline in poverty in many developing countries. For economic relations between nations to be successful, a number of conditions need to be fulfilled. Unrestricted movement of goods and services, flow of capital, mobility of workforce, and reduction of regulatory obstacles need to be ensured for successful international economic relations. Globalization has played an important role in international economic relations among nations across the world.

Key words: globalization, cooperation, integration

JEL classification: F02, F10, F13, F18, F21

1. INTRODUCTION

In essence, globalization refers to multiplication links and interconnections between States and the companies that make the present of the worldwide system. She describes the process by which events, decisions and activities in a part of the world have significant consequences for individuals and communities located on the other one large distance. Globalization may be seen as improvement and development of closer contacts between countries and regions, as well as religions and cultures. This process brings together different people, organizations and institutions, that all have different values. Despite differences they have to cooperate with each other. In order to make these contacts between various cultures and religions more fluent and mutually beneficial, it is necessary to develop standards and rules.

The globalization process creates several problems due to the slowness in the development of rules - this is not as fast as the spread of globalization processes. Therefore globalization processes involve a lot of conflicts and discrepancy, which generates contradictory expectations. It is assumed that globalization may not only follow different paths but those paths might even contradict each other.

According to economic and financial approach globalization can be defined as the widening and strengthening links between national economies on the global market of goods, services and especially capital.

All in all, in economic literature the term globalization is used in suggestive manner to play the ties links become closer between national economies through trade, financial flows and foreign direct investment (FDI) of multinational companies. It is also important to note that globalization is a dynamic process is a dynamic process of liberalization, openness and international integration on a wide range of markets from labor to goods and services to capital and technology.

On the other hand, it is necessary to note that principal agents of globalization are great multinational corporations, both financial and non-financial established in most countries which are to increase trade and capital movement between regions and

integrating markets on a global basis.

Another element of maximum visibility which can be observed it is the fact that in essence international economic relations represents the matrix of globalization process. Exchange of goods and services between countries is the simplest and most often used form of international economic cooperation.

Despite the rapid growth of capital flows, IER will be the basis for globalization also in the future. So we can notice IER lead companies to search for the best market that could supply them with necessary raw materials, semi-products but also with machinery and technology. Through trade, enterprises are looking for the markets where they can sell their products and services.

Therefore international economic relations connect manufacturers, which capital belongs to various capital owners throughout the world and it can be seen as global production basis.

In view of all these reasons, on the analysis' axis of implications of globalization process on the world contemporary society, we can essentially identify following elements:

- ◆ the creation of new capital markets and external trade connected to a global level continuously operating due to the new information technologies and telecommunications

- ◆ introduction of new information technologies and the world-wide communication: internet, cellular telephones, multimedia networks;

- ◆ the apparition some multilateral institutions like as (IMF, WTO, WB) based on the principle of specialization, which have a significant impact on the process of decision on the international scene, in order to ensure the settlement between externalities countries and the implementation of collective action by offering in the same time important services for national entities;

- ◆ the setting-up of international regulations, such as multilateral agreements on trade, intellectual and industrial property right, with more powerful effect than national policies of countries involved in this type of arrangements.

Finally in the current context we can observe that globalization has become an objective and implacable process which takes place in an often stunning pace that includes in its sphere almost all world member states.

2. SOME MAJOR ASPECTS OF GLOBALIZATION FROM THE WORLD'S ECONOMY PERSPECTIVE

In economic literature the process of economic globalization is judiciously appreciated as being a dynamic progression of increased interdependences between national states, as a result of enlargement and deepening links between them and the various spheres of economic life, political, social and cultural.

In this context the most important elements that influenced the process of deepening economic globalization and sustainable development of international economic relations are in my opinion the following:

- ▶ First, globalization ensures easier movement of goods and services across nations. This creates global markets for goods, services, labor, and capital. However, the term globalization has also come to mean something more: economic and cultural hegemony on the part of industrial enterprises, such as multinational corporations (MNCs), and industrialized nations, particularly the United States and European Union. Those who oppose globalization use the term to describe these negative phenomena and to raise the specter of a world controlled by a handful of MNCs. This is an absolute necessity for fostering international economic relations. Indeed globalization promotes a massive flow of goods and services across borders.

▶ Second easier movement of people between countries has also been made possible by globalization which is conducive to international economic relations. The free movement of people, within and between countries, generally contributes to greater prosperity than when movement is restricted. Like the free movement of goods and capital, the free movement of people is not only a basic human right but also contributes to economic growth by allowing the benefits of greater trade in the labour market. This also helps people in one country to migrate to another for employment thereby addressing the problem of unemployment in many countries.

▶ Third, globalization leads to free trade between countries. Since the early days of globalization numerous bilateral trade agreements have been signed between countries. In other words free trade leads to a more efficient allocation of resources, with all countries involved in the trade benefiting. In general, this leads to lower prices, more employment and higher output. At the same time free trade will encourage intense competition and innovation between producers.

▶ Fourth, globalization has ensured easier and faster flow of information across geographical boundaries. Information flow is an important issue because our ability to solve other problems is generally limited by our ability to communicate with other people and share ideas and information. The free flow of information is important because many times corporations or governments try to control this flow and that impedes good communication between people. In this process the success of economic relations is often dependant on information.

▶ Fifth, globalization has led to reduction in cultural barriers which has proved to be conducive for economic cooperation among nations. To a large extent, globalization promotes integration of the world and calls for the removal of all cultural barriers. Although globalization is a vital process toward transferring knowledge and education to the world, it still has its negative effects on most cultures and civilizations.

▶ Sixth, in the purest sense of the word, globalization refers to the free movement of capital throughout the world. At the same time, freedom of capital movement is another essential element for the proper functioning of the globalization. The liberalization of payment transactions is a vital complement to the free movement of goods, persons and services. Capital mobility enables the total savings of the world to be distributed among countries which have the highest investment potential. Under these circumstances, one country's growth is not constrained by its own domestic savings. Movement of capital between countries due to globalization has also played an important role in international economic relations.

▶ Seventh, globalization has given rise to several multinational corporations who undertake economic activity across geographical borders. It is well known also that on the basis of their appearance are the direct investments of foreign capital. Undoubtedly, multinational companies are regarded as being due to the phenomenon of globalization. Therefore it is important to note that today multinational corporations influence directly the global economy evolution.

▶ Last but not least, globalization has helped to address environmental issues which are strategic to international economic relations. Globalization generates new challenges in preparing strategies for development because globalization threatens to exacerbate environmental pollution and natural resource degradation. In my opinion a potential strategy consist in to make cities of the world states livable, provide environmental services for the citizens and protect the people against environmental hazards.

As a final point, by all of these characteristics we can add that globalization is now an irreversible reality and any country who thoroughly prepares the future has to interfere with this process of increasing the connectivity and interdependence of the world's markets and businesses.

3. EFFICIENCY OF EXTERNAL ECONOMIC RELATIONS OF ROMANIA IN THE CONTEXT OF GLOBALIZATION

The context of Romania external economic relations has changed much in recent years and will continue to make especially now, under the economic globalization. Liberalization and globalization have brought a greater mobility of production factors, a fragmentary and higher specialization of the activities. International competitiveness is dynamic and competitive advantages are more volatile and less sustainable.

The general framework of the Romanian Foreign Economic Relations, the current period is characterized in particular by two major trends: a guideline to trade by the internal Single Market of the European Union, respective a continuous increase deficit of the balance of payments and caused mutations in the structure of foreign capital flows invested in Romania.

Thus, Romania's economic relations have been carried out mainly developed capitalist countries with both in terms trade, and in terms of foreign investments, the main partner being consistently EU. Regarding to Romania's economic relations under foreign direct investment aspect it is important to note that in the current period of post adhesion they are mainly directed to: the manufacturing industry, financial intermediation, insurance, retail, wholesale, construction and real estate.

In the conditions of economic globalization we believe that foreign direct investments should be focalize on tourism, transport and ecological agriculture which could substantially contribute to balance of payments equilibration.

Apart from foreign direct investments another essential element of Romania's external economic relations is foreign trade. From this point of view one of the base peculiarities in 2000-2008, he represented a dynamic supported who print as a result of the table below, which emphasizes the growth of the foreign trade volume in goods, while exports increasing has been steadily, less than that of imports. For this reason, trade balance deficit has been standing deepened throughout the reporting period.

Table 1 - The evolution of external trade of Romania in the period 2000 – 2008

| Years | TOTAL mil. Euros | Exports FOB | | Imports CIF | | Balance of trade (mil. Euros) |
|-------|------------------------|-------------|------------------------------|---------------|------------------------------|----------------------------------|
| | | mil. Euros | Annual growth pace (%) | mil. Euros | Annual growth pace (%) | |
| 2000 | 25508 | 11273 | 41,32 | 14235 | 43,4 | -2962 |
| 2001 | 30105 | 12722 | 12,85 | 17383 | 22,11 | -4661 |
| 2002 | 33556 | 14675 | 15,35 | 18881 | 8,62 | -4206 |
| 2003 | 36814,80 | 15613,8 | 6,4 | 21201 | 12,29 | -5587,2 |
| 2004 | 45216 | 18935 | 21,27 | 26281 | 23,96 | -7346 |
| 2005 | 54823,60 | 22255,1 | 17,53 | 32568,5 | 23,92 | -10313,4 |
| 2006 | 66596,34 | 25850,5 | 16,16 | 40745,84 | 25,11 | -14895,34 |
| 2007 | 80394,4 | 29401,8 | 13,74 | 50992,6 | 25,15 | -21590,8 |
| 2008* | 89964,73 | 33627,88 | 14,37 | 56336,85 | 10,48 | -22708,97 |

The source: Own calculations on the statistics basis of Romanian Statistical Years Book –Times Series 1991-2006; Statistical Bulletin of foreign trade, No. 12/2007;

* http://www.dce.gov.ro/Sinteza/sinteza_2008/rez_comert_dec_2008

In the period analyzed, trade balance deficit Romania, calculated that the difference between exports (FOB) and imports (CIF), the value reaching in 2000 was -2962 million Euros and arriving -22708.97 million Euros in the 2008.

Another significant aspect is that trade balance deficit has been deepened by worrying much. According to statistics analyzed, negative balance recorded in 2008

compared with the 2000 was almost eight times higher. All this time the European Union represented the main partner Romania's trade with the largest weighting in total Romanian exports and imports. Under the Romanian exports to EU aspect is important to remember they have totaled 63.65 percent in 2000, increasing to 70.4 percent in 2008. The imports situation is relatively sensitive close to the exports. Thus, in 2000, Romania's imports from EU have recorded 56.42 points and in 2008 to reach the rate of 69.1%.

Regarding geographical orientation we consider the current economic relations of Romania should be focalized in the near future on Romanian foreign trade with countries like China, India, Russia, which have become major economic powers, with demonstrated quality of key players in globalization of production. Moreover, it should be noted that these countries represent the most important of EU trading partners, both in terms of import and export, this argument having the principle value of geographical redirecting Romania's commercial relations.

On the other hand, to achieve a high level of economic development- sine qua non condition for Romania in order to economic integration in EU structures, Romania's exports, could constitute one of economic growth engines, and in this sense we propose the effective implementation of macroeconomic measures mixture, which have to realize some strategic objectives:

- the creation of economic concentration Export (real cluster) by stimulating setting up of collective centre for exchange of information, training, learning, support for a modern commerce infrastructure, including infrastructure for communication; easy access to financing; consultancy for companies, collectively marketing and branding abroad, of the cluster's business potential and opportunities;
- attracting of direct foreign investments export oriented , especially in industrial sectors cars and components, organic farming, IT sector, furniture, clothing;
- allocating of additional financial resources in research and development of human resources, in order to increase capacity for innovation Romanian firms;
- harmonization of sector, regional, interregional strategies, in order to realize priorities that would lead to increase exports;
- improving services and business and specialized assistance granted exporters;
- development of financial sector able to contribute to increased of national competitiveness who consist in: increasing budgetary resources for financing exports promotion activities and to develop exports, easier access to credits for export, structural dialogue and better communication and cooperation between banks, insurance companies and exporters.

In the context of globalization becomes ever more obvious that the participation of Romanian operators at economic trade and international financial is a necessity and the same time, extremely importance, sometimes even primordial to achieve an income and a sustainable economic growth or a dynamic equilibrium of Romanian balance of payments for contemporary economic trade relations in all its forms and ways in which they performed, acquired a particular importance both of the equilibrium and economic development of our countries economic development, being directly influenced by our external trade developments.

Also it should be noted that full liberalization of imports from EU and in third countries from the perspective globalization could affect Romanian enterprises which are not yet sufficiently prepared to withstand increased competition in this context, because, among others, the level of their low productivity, their lack of managerial skills abilities, competitiveness the difficult access to financing, are not yet at the various rules and international standards of quality. There is no doubt that a possible liberalization of imports from third countries as a result of their process of economic

globalization offers the same time, in addition to the liberalization of Romanian intra and extra Community counterpart imports offer some notable benefits: widening supply of quality goods and service in the Romanian market; import goods without customs duties with favorable consequences for manufacturing companies, users of these goods and consumers; stimulating domestic producers, to become more performing under the pressure competition imports; accelerate specialization in products to which it has a competitive advantage; curbing inflation, prices grace imports, which should be, in general, cheaper.

Although has been made significant progress in terms of geographical orientation of our country economic relations, however still remain to be solved some problems such as expanding imports at a pace much faster than that of exports, which leads inevitably to increase deficit trade.

As a final point, in my opinion, for Romania the intensification of mutually satisfactory progress of economic relations with developed capitalist countries and the new economic emergence powers: Russia, China and India will inevitably lead to achieve a sustainable and durable economic growth which we can consider sine qua non condition of European economic integration.

4. CONCLUDING REMARKS

The trends in the contemporary world economy combine in the implacable way, by deepening which economic, political and cultural relations between states, which in the necessary manner involves cooperation. Certainly the economic life in global context will become more fascinating, the problems which they will raise will be more critical, and solving them will depend on who will taken reason cooperation at the expense confrontation

Returning to the current international economic circumstances it is important to emphasize that enlarging process of globalization economy has a complex of its guidance convergence within which is taking shape with a special results: rapid evolution of technologies, computing and telecommunications expansion supported the system operating by international networks; country financial markets and expand cooperation at the corporations; expanding international tourism and increase intercultural contacts, trends and regulatory liberalization in numerous areas, such as trade in materials goods, transport and telecommunications.

Therefore globalization leads to closer integration of countries around the world especially the level of trade and the flows of capital, caused by reducing the costs of transport and communications, who essentially contribute to harmonious development of international economic relations; fact who consists in settle down the cooperation relations, establishment of an understanding climate, promoting principles of nature to create a favorable relationships ambient also agreements on all plans^[7].

It is important also to emphasize that although actually Triad powers: USA, EU and Japan hold supremacy in the world economy that leadership is seriously threatened however ascension big emerging powers: China, India and Russia, under the rarity terms of resource and current liquidity crisis displayed on international financial market, holding a huge volume of natural and human resources. Although globalization is very advantageous for countries with large economic competitiveness: advanced technologies, labour performance, high productivity, reduced production costs, however globalization process, contains the essence, all premises to adjust economic gaps between developed countries and those in developing countries. Indeed these economic gaps can be adjusted by: the transfer of financial resources, from developed countries in developing countries; direct investments and portfolio; credits for balance of payments support and the infrastructure works.

Thus, on the globalization fund, a country like Romania - as an integral part of EU, for adjustment existing economic discrepancies with developed capitalist states will intensify efforts in the following lines of action: accelerating economic development and more efficient use of the production factors ; creating new structures of production to allow the manufacture of more competitive finished products, with higher value-added and quality of the European standards; developing new economics resulted from the big production; improving the standard of people's living; etc.

Referring to the Romanian Foreign Economic Relations is important to note that in the context of economy globalization, our country participating more to the world exchange of material and spiritual values which generate profits in several intercorrelate plans which consist mainly in:

- opportunities increased exports as a result of broadening access Romanian companies on foreign markets;
- increase the efficiency of the Romanian economy, as a result of a better allocation of domestic resources;
- the potential for increased by a modern equipment, the advanced technology and know-how organizational; aspect which acquires a relevant and more for services, whose supply takes place frequently through FDI.

In consequence for Romania as well as for the other national states it is true that currently who do not enter in the globalization process is lost because in a global economy survives only the most powerful, effective and rapid decision – making. So, today, any country which has adopted a local or regional position in a globalized world shows an inadequacy economic behaviour and at the same time involution with negative direct implications on the development of the entire national economy.

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