

CONCISE CHARACTERIZATION OF THE EVOLUTION AND BEARINGS OF WORLDWIDE ECONOMY

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Abstract: : The current worldwide economy met deep changes, especially in the last decades, changes which had major effects over business area and determined the adoption of some decisions, at the level of main actors of economic life, which allow them to get through with new challenges. To that effect, strategies have been rethought so that trading companies, as main motor of worldwide economy, adapt to new requirements imposed by the market. At the present day, worldwide economy is characterized by a high degree of internationalization. Today, more than ever, we can talk about the existence of some economic independences generated by the existence of a world market formed as a result of relations established between national economies and which function as a process of internationalization of production and recession factors of international division of labor by the agency of exchange relationships between economic entities in different countries. This tendency manifests itself more and more in the evolution of world economy, relating to which we can affirm that lack of balance produced within a national economy (a conclusive example is the case of the crisis produced by mortgaging in the USA) can generate a wave of dysfunctions developed in all sectors, at the level of the entire world economy. Thus, we assist at a real domino effect produced because of economic interdependences and which does not sum up only to one sector of activity or more than a national economy, but at the level of the entire world economy.

JEL classification: A10, E60, M21

Key words: critical; globalization, world economy, transnational companies, international trade, mergers and acquisitions

Characterized by a high degree of internationalization, the current economy has its origin into the modern economy based on the development of industrial technology, spread out since 1860'. Technological revolution of communications allowed the evolution and the development of a modern trading system. In the second half of the 19th century, under-sea intercontinental telegraphic cables contributed to the outline of worldwide market, determining an extraordinary increase of the amount and complexity of transactions. Thus, it was created an informative environment capable to sustain an authentic intentional trading system.

Today, more than ever, we can talk about the existence of some interdependences generated by the existence of a world market formed as a result of

relations established between national economies and which function as a process of internationalization of production and recession factors of international division of labor by the agency of exchange relationships between economic entities in different countries. This tendency manifests itself more and more in the evolution of world economy, relating to which we can affirm that unbalance produced within a national economy (a conclusive example is the case of the crisis produced by mortgaging in the USA) can generate a wave of dysfunctions developed in all sectors, at the level of the entire world economy. Thus, we assist at a real domino effect produced because of economic interdependences and which does not sum up only to one sector of activity or more than a national economy, but at the level of the entire world economy, affecting practically all sectors of activity.

At last, by studying changes which influenced decisively the world market is achieved practically an analysis of tendencies developed at world economical level.

In the last decades, is remarked an increased change of production factors and especially an extraordinary increase of capital movements, as well as the increasing weight of private capital in deficit financing in developing countries. The unprecedented change of capitals facilitated taking control over trading companies both in the country and abroad, by national and transnational mergers and acquisitions.

Unfortunately, the capital change does not produce a massive migration of investments and implicitly manpower from advanced countries to those which are developing. Instead, from the analysis of statistical data provided by United Nations Organization through World Investment Report, we can observe a bigger concentration of foreign investments directly into advanced industrial economies, while developing countries keep being marginalized regarding both investments and trade.

Other tendency which manifests itself at world economical level consists in the fact that the current world market is characterized by a high degree of institutionalization of international economic changes, as a result of the appearance of a great number of organizations, associations and unions of states, producers, exporters and importers, created with the view to promoting freely international economic relations. Thus, we assist at the foundation of various organisms created at regional level, which have as main role the regulation of economic exchanges, such as Association of Southeast Asian Nations (ASAN), Asia- Pacific Economic Cooperation, North America Free Trade Agreement (NAFTA), Andean Pact, Southern Cone Common Market, which includes South American countries (MERCOSUR), Central European Free Trade Agreement (CEFTA), Organization of Oil Producing and Exporting Countries (OPEC) and, why not, even European Union (EU).

Equally, there were drawn up multiple international economic regulations which do not pursue the creation of a closed national economy, isolated from the economy of other countries, but the free circulation of goods, services, capital and manpower.

Other specific element of the current world market consists in that main "actors" of the market are the transnational companies, which were founded as a result of external growth strategies of national entities, by founding subsidiary companies outside the borders of the country, but also by taking-over some trading companies with their head office in other states. The taking-over has been made by transactions of type mergers and acquisitions. These transnational companies are mainly responsible for the

development of cross-border production. The existing data¹ show that the number of transnational companies is increasing continuously in the last 15 years. Thus, if in 1992 were recorded about 31.000, in 1998 their number increased to about 53.000, in 2004 to about 61.000, and in 2006 were recorded about 78.000 with over 780.000 foreign affiliations. As regards the 2007 year, it turns out that, although the increasing trend is maintained, transnational companies coming to about 79.000 with over 790.000 foreign affiliations, the increase rhythm recorded retardation. Although the economic crisis manifested itself mainly during 2008 and 2009, the number of transnational companies continued to grow up to 82.000 and having a number of 810.000 foreign affiliations. If in 2006 was recorded an increase in the number of such entities by 28,76%, in 2007 the increase percentage was only 1,28%, seeming to announce the economic crisis which was to manifest itself in 2008 and which comprised practically the entire world economy. However, in 2008 we assist at an increase by about 3,80% of the number of transnational companies, which can be explained by the desire of national entities to penetrate new markets and consequently, to discover and exploit new sources of profit. On the strength of data in reports made by specialists within United Nations Organization, the increasing trend of the number of transnational companies which manifested itself in the last years is presented suggestively in figure no. 1.

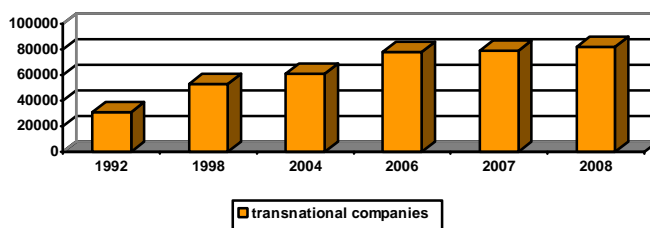


Figure no. 1. The trend recorded by the number of transnational companies during 1992-2008

From 78.000 transnational companies recorded in 2006, 58.000, which represents a percentage of 74,36%, have their base in developed countries, 18.500, respectively 23,72% in developing countries, and the rest of 1.500, equal to 1,92% from their number, in countries with transition economy. About 780.000 foreign affiliations are located in developed countries, in percentage of about 33,3% - in number of about 260.000 -, in developing countries, in percentage of 52,18% - about 407.000 entities - and in percentage of 14,49%, respectively 113.0000, in countries with transition economy. Meanwhile, the statistical data show that the largest number of foreign affiliations is located in China, about a third. However, analyzing the total value of foreign allotments in this country, it turns out that they represent only 2% from their global value, which indicates the fact that most foreign affiliations in China have very little value or are represented by associations of type “joint ventures” with small companies.² If we analyze the existing data in 2007, we ascertain that a migration of

¹ United Nations, “World Investment Report – 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009”, New York, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009.

² United Nations, “World Investment Report – 2009”, New York, 2009.

transnational companies with the basis in developed countries towards developing countries. Thus, we assist at a fall in the number of such entities by about 2,68% in developed countries, its level being ranged at 56.448, while in developing countries took place a rise up to 20.568 representing an evolution in comparison with 2006 by 11,28%. The same tendency can be observed also in countries in transition where the percentage of increase was bigger, respectively 18.87% in comparison with 2006, the number of transnational companies coming to 1.783. Against a manifestation of crisis at global level, we assist in 2008 at transnational companies regrouping towards developed countries, fact which determined an increase in their number by 4,13%, coming to 58.783. The increasing trend manifested itself also in developing countries, but at a lower level. Thus, was recorded an increase by 4,07% in comparison with 2007, which materializes in a number of 21.425 transnational companies. The same fact is ascertained also in countries in transition, where the increase was only by 3,47%, the level achieved in 2008 being 1.845. Thus, analyzing from the point of view of foreign affiliations it turns out that the biggest increase was recorded in developing countries by 2,86% in comparison with 2007. In countries in transition, the increase was situated around the number of 2,72%, while in developed countries the increase recorded a very low level, only 0,06%. This fact can be explained by the increased interest of transnational companies in penetrating new markets, especially from developing countries.

If we analyze the amount of production achieved by transnational companies it turns out that in 2006, this represented about 10% of the amount of gross domestic product at global level, and the export achieved by these amounted to about one third of the export achieved at global level. Considering the statistical data in 2007 it turns out that a small percentage increase owned by the production of transnational companies in gross domestic product at global level, this coming to 11%. Although can be observed a small advance in comparison with 2006, we cannot express a correct and fundamental opinion concerning the evolution of the production at global level, because we consider that it is necessary to be analyzed the factors which determined this increase and perhaps, in fact, against a manifestation of world economic crisis, this represents a decrease in absolute values. As main actors, the transnational companies became more and more active regarding the taking over by acquisition or merger of some economic entities, which allow them to attack some new market segments, having as final purpose the consolidation of the position and implicitly the maximization of profits obtained.

The world economic and financial crisis which manifested itself mainly in 2008 and 2009, has manifested in the decrease in value of production, sales and assets especially at the level of foreign affiliations within transnational companies. Although in UNO report concerning the expectations of world economy during 2009-2011 it is shown that only 40% of transnational companies will be attacked by the crisis, in reality, 85% of these blamed world economic crisis for the drastic decrease in investments in foreign affiliations, while 79% condemned financial crisis. From the analysis of statistical data, is ascertained the strong impact the economic and financial crisis had both on transnational societies and individual economic entities. This impact reflected in a fall in profits, a decrease in dividends, unemployment and forced restructuring. In accordance with preliminary assessment of U.N.C.T.A.D., the internationalization rate of transnational companies will slow down, but these entities will continue to represent an important percentage of assets at international level.

A trend which makes individual the current world economy is materialized in the fact that a big part of economic exchanges at the level of the world market manifests itself as a result of an international economic and financial cooperation under various forms: foreign direct investments, co-productions, sub-productions, mixed companies. Thus, it comes to the fore a new vision regarding the world market and implicitly the international economic exchanges which interpret sales abroad not as an „external trade” but as a world-wide trade. In the spirit of this vision it can be said that a batch of products is intended for a subsidiary company in a certain area and not for export in that area.

In this context appear new segments of world market which do not regard, as in the past, only the trade in goods. These refer to: international trade in goods, international trade in services, international transactions with capital – capital market – international transactions with foreign currency – international currency market – high-tech market. It can be said that world market at the end of the 20th century and the beginning of the 21st century does not suffer comparison with the world market of the 19th century, and not only from the point of view of transactions, but especially of the content, segments, flows and their realization techniques, whose concise analysis we will make it hereinafter.

International trade in goods remains the main segment of the worldwide market, even if, under the aspect of the possessed weight, records a decrease from 95% in the 19th century to about 50% at the end of the 20th century. This relative decrease of the possessed weight on the world-wide market of the international trade in goods was generated by the development known by other segments.

The most important development on the worldwide market is known, at the present day, by the segment of the international trade in services or invisible trade. This segment is represented by international transport activities, international tourism, post office and telecommunications – a more and more important role has the internet network which knows a fulminatory development in the last decades – insurances and re-insurances, royalties (from the valorization of the ownership), international financial-banking activities, cultural services etc. From the analysis of statistical data³ can be observed that the increase rhythm of the international trade in services is superior to the increase rhythm of the international trade in goods, as it appears from the analysis of the table no. 1 and figures no. 2 and 3.

It can be observed that, although in absolute value, the volume of the international trade in goods -16.026.454 million \$ in 2008 – outclasses the international trade in services – whose amount was situated at about 3.856.987 million \$ in the same year – if the increase rhythm is taken into account, it is ascertained a considerable advance of services against goods. During the period of time analyzed the amount of the international trade in goods recorded, inclusive, an increasing trend. If in 1980 this was situated at 2.035.067 million \$, in 1985 recorded a decrease at the level of 1.972.128 million \$, decrease followed by an increase up to 3.483.376million \$ in 1990, 5.178.446 million \$ in 1995, 6.448.919 million \$ in 2000, 10.487.582 million \$ in 2005, 12.129.755 million \$ in 2006, 13.956.934 million \$ in 2007, and coming to 16.026.454 million \$ in 2008. The increase of the volume of trade in goods was due, especially, to the increase of the weight of products, which includes advanced and very expensive technologies, and the decrease of the weight of cheaper raw materials. Concerning the

³ UNCTAD Handbook of Statistics 2009, New York, 2009.

volume of the international trade in services, the increasing trend was maintained during the entire period analyzed, from 388.995 million \$, the value recorded in 1980, to 404.556 million \$ in 1985, 826.662 million \$ in 1990, 1.234.922 million \$ in 1995, 1.523.984 million \$ in 2000, 2.558.185 million \$ in 2005, 2.877.891 million \$ in 2006, 3.416.193 million \$ in 2007 and coming to the level of 3.856.987 million \$ in 2008.

Table no. 1. The evolution of the international trade in goods and international trade in services at global level during 1980-2008

Year	Absolute value of the international trade in goods	Absolute value of the international trade in services	Percentage increase of the international trade in goods	Percentage increase of the international trade in services
	(million dollars)	(million dollars)	(%)	(%)
1980	2.035.067	388.995		
1985	1.972.128	404.556	96,91	104,00
1990	3.483.376	826.662	176,63	204,34
1995	5.178.446	1.234.922	148,66	149,37
2000	6.448.919	1.523.984	124,53	123,41
2005	10.487.582	2.558.185	162,63	167,86
2006	12.129.755	2.877.891	115,66	112,50
2007	13.956.934	3.416.193	115,06	118,70
2008	16.026.454	3.856.987	114,82	112,90
Total increase index			787,51	991,53

The processing of data provided by annual reports made out by specialists within United Nations Organization allows us to carry out a suggestive representation of the evolution of the volume of international trade in goods, parallel to the evolution of the international trade in services, in figure no.2.

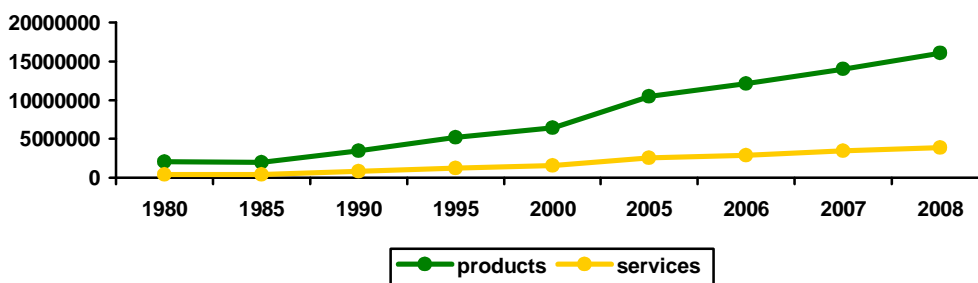


Figure no. 2. The evolution of the volume of international trade in goods and trade in services at global level during 1980-2008

If we analyze the evolution of the increase index of international trade in services, we ascertain that it advances, inclusive, about 204,02 percents, the international trade in goods recording an increasing trend during the entire period analyzed. In 1985 was recorded an increase by about 4,00% in comparison with 1980, while the international trade in goods was situating at 96,91% of the volume achieved in 1980, recording a decrease of 3,04%. Following the increasing trend, in 1990 the international trade in services doubled, recording an increase by 104,34 % in comparison with 1985, parallel to it, the international trade in goods increased more slowly, only by 71,17% in comparison with the same year. Thenceforth, is recorded more or less the same increase rhythm, and in 2008 the international trade in services

recorded an increase by 891,53% in comparison with the reference period, respectively 1980, while the international trade in goods knew an increase only by 687,51% in comparison with the same year. Considering the data analyzed above, in figure no. 3 we showed graphically the evolution of the increase index of international trade in goods and services during 1980-2006, wherefrom it can be easily observed that, although both trends are increasing, the international trade in services records a faster increase in comparison with that in goods.

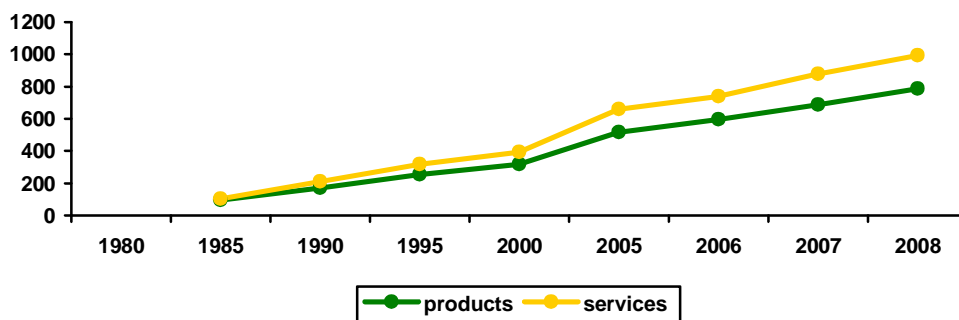


Figure no. 3. The evolution of the increase index of international trade in goods and trade in services at global level during 1980-2008

One of the most dynamic segments of the world market, which had a definitive influence on the expansion of transactions of type mergers and acquisitions from national to international level, is represented by **international transactions with capitals (capital market)**. Within this segment, foreign direct investments, materialized in cash-flow financing, have the largest width, but especially in obtaining the package of control over an economic entity by a foreign investor.

As we have said before, the mobility of capitals put decisively its fingerprint on the mobility of trading companies, especially because of the fact that the requirements for the development of transactions of type cross-border mergers and acquisitions were created. The analysis of the evolution of these transactions in the last years emphasizes the increasing trend whereon it stands. If in 1990, the level of transactions with capitals amounted to 2.148.530 million \$, in 2007 their level reached 13.304.690 million \$. The increasing trend of foreign direct investments is showed in table no. 2, wherein, on the strength of statistical data published by United Nations Organization, is presented the volume of direct investments during 2004-2008 at world economical level and their main components, respectively developing countries, countries with economy in transition and developed countries.

Table no. 2. The evolution of foreign direct investments during 2004-2008⁴

YEARS		Million dollars				
		2004	2005	2006	2007	2008
World economy	Cash-flow financing	717.695	958.697	1.461.074	1.978.838	1.697.353
	Capital market transactions	9.587.059	10.180.063	12.470.085	15.210.560	14.909.289
	Total foreign direct investments	10.304.754	11.138.760	13.931.159	17.189.398	16.606.642

⁴ United Nations, "World Investment Report – 2009", New York, 2009.

Developing countries	Cash-flow financing	283.618	316.407	433.764	529.344	620.733
	Capital market transactions	2.331.480	2.719.224	3.303.169	4.246.739	4.275.982
	Total foreign direct investments	2.615.098	3.035.631	3.736.933	4.776.083	4.896.715
Countries with economy in transition	Cash-flow financing	30.367	30.971	54.548	90.866	114.361
	Capital market transactions	198.602	273.657	400.896	505.211	420.414
	Total foreign direct investments	228.969	304.628	455.444	596.077	534.775
Developed countries	Cash-flow financing	403.711	611.319	940.880	1.247.661	962.259
	Capital market transactions	7.056.976	7.187.182	8.766.020	10.458.610	10.212.893
	Total foreign direct investments	7.460.687	7.798.501	9.706.900	11.706.271	11.175.152

A more attentive analysis of the structure of this type of transactions shows the fact that most of the foreign direct investments are materialized in capital market transactions and especially share acquisitions of economic entities. Thus, in 2004, the capital market transactions at world economical level represented about 93,04% of all foreign direct investments, equal to an absolute value of 9.587.059 million \$. Meanwhile, the foreign direct investments (FDI), materialized in cash-flow financing, came in absolute value to 717.695 million \$, representing a percentage of only 6,96% of the total. The increased trend maintained regarding both the absolute value of FDI and the percentage of capital market transactions. Thus, from the analysis of data presented, it turns out that, in 2007, the total volume of FDI came to 17.043.883 million \$, recording an increase by more than 166% in comparison with 2004. In 2008, it can be observed a decrease in the total volume of FDI against a manifestation of economic and financial crisis. Having as calculation basis the data presented previously (table no. 2) we realized, in figure no. 4, a graphic representation of the evolution in absolute values, wherefrom it can be observed very clearly the increasing trend of foreign direct investments and, especially, the development recorded by market capital transactions to the detriment of cash-flow financing during 2000-2007. Concurrently, against a manifestation of economic and financial crisis, it can be observed the decrease recorded in 2008.

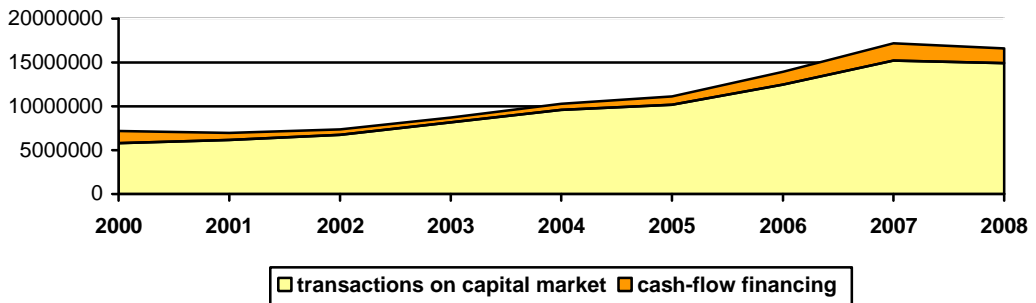


Figure no. 4. The evolution of the volume of foreign direct investments during 2000-2008

As we have mentioned before, it can be observed a concentration of capitals in developed countries, about 68% in 2008 of the total of foreign direct investments, while developing countries are marginalized regarding capital infusions at the level of 29%.

Also, the increase rhythm of foreign direct investments recorded in developing countries is inferior to the rhythm recorded in advanced industrial countries. This thing has as negative effect the more and more increase of differences between the two kinds of states (powerful industrial states and developing states).

From the point of view of the communication and international communication techniques, the most advanced segment of world market is represented by currency transactions, sale and purchase currency operations, respectively the international currency market. Currency transactions, like some trade transactions, are carried out as forms of electronic trade, by Internet, fax, electronic mail or SWIFT. The spectacular increase in the volume of these transactions is due first of all to the progress and unprecedented innovations performed in telecommunications and information technologies field which allowed the execution of transactions in real time, regardless of distances between partners. According to some statistical data, it turns out that in 1973 the cross-border average daily net currency flow represented 15 billion \$, in 1986 this came to about 200 billion \$, in 1995 to about 1.300 billion \$ and in 2003 to a value of more than 2.000 billion \$ - representing an increase by about 13333, 34%.

Other segment of the world market which develops extremely fast is represented by high-tech market. Its current evolution is based on spectacular progresses achieved in fields like: information, telecommunications, robotics, fiber-optic, chemical products of high complexity, aerospace industry. The changes in these fields are so fast that we can say that we assist at a new technological revolution⁵, which supposes the organization of the production on the strength of electronic means of calculation. Passing through older concepts of mechanization and automatization, the new concept includes the design, management, production and marketing, transforming the traditional economy, based on bulk production, in a more efficient production organized into shorter, flexible and exactly executed series. Other field wherein radical transformations were made is biotechnology. The recent discoveries, from agriculture to medicine, raise a lot of economic, ethical and judicial problems, of which the most relevant are considered to be the transplant of human genes and the cloning.

According to all we have presented, we can say that, at the present day, the world market is characterized by a pronounced vitality, an ascending movement, under the impact of the development of production factors and first of all technical-scientific and information revolution. This trend manifests itself by the fast rhythm of the increase in international flows and the recession of interdependences which are carried out between world economies.

The process of recession of interdependences must not be understood as the achievement of a system of mutual and real dependencies. On the contrary, it has to be mentioned that these interdependences take place between national economies, between which there are great inequalities. Thus, most of the time, these relations between developed and developing economies, rich and poor economies, take discrepant forms, representing for some domination relations and for the others dependence relations.

We can say that the current world economy appears as a set of economical, political, trading and financial-currency interdependences which take place between national economies, supranational structures and transnational companies looked and analyzed objectively.

In the course of time, world economy suffered a series of changes due mainly to transformations which took place within the world economy.

Thus, a first change consists in the modification of the world import and export structure, thing highlighted by the decrease of raw materials and unfinished goods

⁵ C.Moisuc, L.Pistol, E.Gurgu, „Relații economice internaționale”, Editura fundației România de Măine, București, 2006.

weight, which, at the present day, are considered to hold about one third of the world trade, together with the increase of throughput and high throughput material weight, which hold the rest of two thirds. The main cause consists in the fact that high throughput material prices have recorded an accelerated increase, especially because of the revolutions in the field of informatics and high-tech, in contradistinction to raw material prices which recorded a slower increase or sometimes even decreases.

Other transformation we are currently assisting at is represented by trade protectionism, in the sense that, parallel to a reduction in the level of custom duties, takes place an unprecedented proliferation of non-tariff obstacles to world trade, manifested by quantitative restrictions, standards and technical standards, phytosanitary standards and even packaging and marking standards.

Concurrently, appeared and developed three important commercial poles, respectively west-European pole, including the member states of the European Union and Free Trade European Association, north-American Pole, formed of USA, Canada and Mexico and Japan and South and Southeast Asia pole, formed of Japan and new industrial countries in this area. These three areas together hold about 80% of world export.

Other tendency which manifests itself in the world economy is represented by a faster increase in Southeast Asian and European trade. Analyzing the weight of different areas in the international trade realized in the last 20 years, it turns out that, while most areas record a slackness or even a decrease, the two areas have an increasing trend⁶ (as it comes from the analysis of data presented in table no. 3).

Area \ Years	1983	1993	2003	2006	2007	2008
	%	%	%	%	%	%
North America	16,80	18,00	15,80	14,20	13,60	13,00
Central and South America	4,40	3,00	3,00	3,60	3,70	3,80
Europe	43,50	45,40	45,90	42,10	42,40	41,00
Commonwealth (CIS)	-	1,50	2,60	3,60	3,70	4,50
Africa	4,50	2,50	2,40	3,10	3,10	3,50
Middle East	6,80	3,50	4,10	5,50	5,60	6,50
Asia	19,00	26,10	26,20	27,80	27,90	27,70
U.R.S.S.	5,00	-	-	-	-	-

Table no. 3. The evolution of world export weight on areas

Equally, the economic development on a world scale has been influenced by two important tendencies, apparently opposite, which manifested themselves in the last decades of the last century, respectively the creation and consolidation of national entities, as well as the assertion of the independence of nations, on one hand, and the emphasis on integration and economic, cultural and political interdependences between states and economic agents, on the other hand, thing that led to the economic globalization. The European Union represents a conclusive example of economic globalization, wherein national borders loose practically their importance. Consequently, we can state that the transnationalization of economic entity represents the most important transformation of world economy.

Concurrently, it is retained that, in the current context of increase in interdependence among the countries of the world as a result of increasing liberalization of the circulation of production factors, goods and technologies, resulted from the

⁶ W.T.O. International Trade Statistics 2009.

development of transnational relations, the great contemporary problems are transforming from national problems to global problems.

The tendencies manifested in the evolution of world market and implicitly of world economy, especially at the end of the 20th century and at the beginning of the 21st century, led to the more and more frequent utilization of a new concept called „globalization”. This term is not new, in the 80s, the globalization considered technological progresses which made international transactions become easier and faster. Robertson defines globalization as „a complex process of multiplication of relations and interconnections between the states which form the world system”⁷.

At the present day, we can point out that globalization is the result of the conjugated action of more factors, such as: more and more pronounced tendencies of liberalization of trade exchanges, the unprecedented development of capital markets and respectively foreign direct investments, the internationalization of production and distribution of big transnational companies, a big jump in trade in services, the multiplication and the diversification of international trade exchanges, big changes in capital structure.⁸ Some critics consider globalization to be nothing else but an Americanization ”the globalization has Mickey Mouse’s ears, drinks Pepsi or Coca Cola, eats Big Mac’s, works with IBM laptops. Many companies in the world see it like something good, but others consider it a strong threatening”⁹.

Even if at the world level there are many opposers of the phenomenon of globalization, this is an inevitable and irreversible process sustained by developed countries. As it comes from statistical data previously presented, the pillars of the globalization are the USA, Japan and Southeast African countries which have an economic, technological and financial potential of about 90% of world production, international trade and financial resources intended for the research and development activity, and with the biggest volume of foreign direct investments in the world¹⁰.

Through the implementation of advanced technologies (automated and informatized), the increase and the diversification of industrial production, trade liberalization, more and more capital flows, globalization produces, on one hand, welfare, and on the other hand, it traverses differences and economical and social inequalities, causing unemployment and poorness to increase. A small number of states benefit by the majority of wealth in the world, while the majority of poor states take a smaller part of national wealth.

As we have previously presented, one of the factors which generates globalization is high-tech distribution. This phenomenon has contradictory effects materialized in the increase of high-qualified specialists but also in the fact that these technologies generate technical unemployment, which affects unqualified or low-qualified employees.

In the process of globalization appear a series of supranational and international organisms. In this context, the attributes of national state change, giving up a part of its sovereignty to these organisms, but obtains a series of new attributes through the contribution to their performance. A conclusive example is the European Union itself,

⁷ R.Robertson, „Globalisation, Sage Publishing House, London, 1992, p. 50.

⁸ Ghe. Postelnicu, C. Postelnicu – „Globalizarea economiei”, Editura Economica, Bucuresti, 2000, p. 68-78.

⁹ Th. Friedman, Lexus și măslinul, Editura Fundației PRO, București, 2001, p. 400.

¹⁰ M. Moldoveanu, „Mersul lumii la cumpăna dintre milenii-integrare regională și globalizare, Ed. Expert, 2003, p. 175.

being in full process of enlargement through the accession of new states and deepening of economic, financial, commercial and technological relationships.

The care for the environment must be other major component in the age of globalization. In the context of the emphasis on contemporary economic and social transformations, the humankind confronts permanently with the major dilemma to fulfill current requirements without compromising the environment and the needs of future generations. In this context, the sustainable development must foresee the passing from deeply ecological economics which allows the realization of a balance between the increase in population, its needs and the utilization of resources, protecting the environmental conditions to the utmost extent.

Integrating the aspects presented we can retain that contemporary world is marked by multiple major changes which are mentioned hereinafter¹¹.

- Globalization of markets, more and more pronounced internationalization and globalization more and more accentuated and national economies, thing which requires defining again product and market strategies, considering the severe competition between societies and the global character they get.

- Emphasis on technical and technological changes and information explosion, corroborated with accelerating rhythm of promotion of technical progress and new information technologies.

- Intensification of global competitiveness, together with the movement of the emphasis from price factors to those regarding the technical level, the quality of products, adjacent services or the notoriety etc.

- Request's diversification and refinement, the consumption becoming more and more personalized.

- Awareness of the limited character of energetic resources and raw materials, corroborated with more drastic requirements regarding the assurance of ecological balance.

- Emphasis on the influence and pressure of different groups of stakeholders: shareholders, customers, providers, associations of customers, ecologists, unions, governments etc.

- Concentration of production and development of big companies and industrial groups, determined by the necessity to make the most of economic advantages, international competition increase, as well as the modification of the concept regarding competitiveness policy which, under the impact of the creation of an international production system became more flexible regarding mergers, acquisitions and the foundation of mixed companies, even in case they lead to the sensitive concentration of the economic activity.

- Development of partnerships in the field of research, development, production and/or distribution. These reasons determined the expansion of strategic options related to collaboration, with a view to achieving some common purposes, through strategic alliances between competitive and partner entities.

- Tertialization of national economies, phenomenon generated both by the impact of the productivity increase in primary and secondary sector and the increase and the diversification in the demand for services.

- Cost and growing mobility of capitals, corroborated with the radical modification in the last years of the significance of international financial flows and

¹¹ Ghe. Turcanu, „Strategii contemporane ale corporațiilor.

their limited character, in relation to „hunger capital” which characterizes the global business environment.

From the analysis made by us, we can conclude that globalization comprised practically the entire world, and the speed wherewith she expanded determined Robert Reich to say, in 1996, that „we assist at profound transformations which will re-arrange the policy and the economy of the next century. There will not be national economies, when this process will be completed. All that will be left within some borders will be the people, who will form the nations”¹². Consequently, in this specialist’s view, all things related to economic activity will belong to a global economy, wherein the nationalism will be very hard to be identified and people’s welfare will depend on the success of big corporations, and not by the success of each nation.

In this context, we proceed according to author’s opinion, who considers that the mission of the state will considerably diminish. Thus, the role of main actor of international economic relationships and regulation and systematization of national economic activity does not belong exclusively to the state, but was taken over also by transnational companies. In future, it is considered that they will completely take over this role against national state.

Nevertheless, we cannot forget the fact that there are also contrary opinions¹³, according to which the political institutions of the state are and will remain the main force in world economy shaping. In defending this opinion, the author considers, and we vitally appreciate that the current world economy is more and more politicized, and the increasing interdependences between the states are not based only on economic reasons, but especially on political ones. The effects of main index numbers (balance of payments, exchange rates etc.) on world economy are felt also in terms of their political bearings.

Although we cannot deny the political bearings on economic life, the question which takes shape is: Have political actions to which states refer an economic basis? In our view, but also in other researchers’ view, even if they hide under different forms (defense of democracy principles, right to territorial independence), the motivations of all political actions are based on an economic basis, materialized either in the supremacy over natural resources and especially those of hydrocarbons, or in the expansion of economic influence areas.

These transformations, at world economical level, have influenced the traditional concepts of economic entities and its manner of organization and leading. The necessity to adapt rapidly and efficiently to these changes, with the view to potentiating its competitiveness capacity, led to the movement of strategic management towards the prospective and projective thinking, fundamental feature of performing modern societies.¹⁴ The changes in strategic thinking stimulated the passing from theoretical model of economic systems to that of the world economy based on networks wherein the basic principle is mutual interconnections and interdependences, this evolution registering, of course, in the economic globalization trend. It has been influenced also the mobility of trading companies materialized in the increase of

¹² R. Reich – „The Work of Nations”, în Mark Lewis, Robert Fitzgerald, Charles Harvey „The growth of nations. Culture, competitiveness and the problem of globalization”, Bristol Academic Press, 1996, p. 11.

¹³ P. Dicken – „Global shift. The internationalization of economic activity” second edition, Paul Chapman Publishing Ltd., 1992, p.121.

¹⁴ M.Naneş, „Strategii de firmă”, Editura Sylvi, Bucureşti, 2001.

transactions of type mergers and acquisitions both at national level and especially at international level and which, finally, led to the appearance of transnational companies. Besides the concentration phenomenon of economic activities in the grip of transnational companies we assist also at a process of restructuration of companies which did not adapt to new requirements imposed by globalization. To that effect, come to the fore transformations which regard the division of trading companies, through the detachment of some sectors of activity. This thing allows the creation of some flexible economic entities which react and adapt faster to modifications generated by the evolution of world economy. The declaration of the state of bankruptcy of some unprofitable trading companies which did not adapt to requirements imposed by the current economy, allowed the re-establishment of the business climate, through the rectification and even the elimination on the market of economic entities entered into insolvency.

The crisis which erupted in the USA in 2007 affected the financial market and created problems of liquidity in many countries, generated mainly by the increased cost of credits. Both at micro and macroeconomic level, the capacity of economic entities to invest was limited. The impact in transnational companies which benefited by ample liquidities, which allowed them to finance investments, subsequently reflected in a high level of profit recorded, was smaller than expected.¹⁵ At microeconomic level, the developed countries have been affected by the retardation in the growth of the USA economy, as well as the dustup which was on financial markets, generated by the lack of liquidities, the beginning of the decline in foreign direct investment flows. On the other hand, the relative sudden change of economic growth in developing countries could reduce this risk.

At the World Economic Forum in Davos in spring 2008, specialists proposed the delicate problem of world economy generated by problems manifested on financial markets. The centre of debates was the world economic recession generated by American economic recession. The question which was formulated very plastically by participants (political leaders, business men, managers and last but not least economic specialists and famous accountants) was: „If America sneezes, the entire world catches a cold?” The answer was given by American specialists, respectively prof. Nouriel Roubini (New York University) who said that „the USA is just not sneezing and having a cold, but a severe case of chronic pneumonia”. Concurrently, Kenneth Rogoff (Harvard University) said that: „we are confronting a serious financial crisis, with global repercussions”, generated by American economic crisis. Still within this forum, the executive director of PricewaterhouseCoopers, Samuel DiPiazza, declared that, from searches made by his company, „the biggest preoccupation of directors is represented by economic recession”.

These transformations materialized in financial turbulences which beat stock exchanges and lack of liquidities which created multiple and difficult problems in the banking system have generated the retardation of economic activities and the fixing of worried eyes of the entire plant on American economy, on which depends the health, in the last resort, world economy. We agreed with specialists' opinion, expressed within the forum, according to which these things take place mainly because of the fact that American economy represented untill now the engine of the global economy, and at

¹⁵ United Nations, „World Investment Report – 2009”, New York, 2009.

present, when this suffers, there is no other economy to take this role (even the European Union economy is not ready for such a role).

The analysis made within the World Economic Forum in Davos in 2009 presented an eloquent scene with volatile markets, some liquidity and high unemployment rate and all these against the lowest levels ever registered by the trust index of consumers and economic entities. This situation risks to induce a series of states to yield to panic and to adopt risky, long-term investment policies, affirms the study, realized after taking counsel with an important number of political, economic and university respondents. The persons who made the study consider that money allotted by government to help financial institutions represent risks for precarious countries, such as the United States, Great Britain, Italy, Spain and Austria. The same analysis envisages also a much stronger retardation in China's economy, with an increase of maximum 6%, against export reduction and dollar depreciation. China's economic problems can worsen considerably the global financial crisis. Only a global concentrated and coordinated action will limit the impact of the crisis, is the conclusion of the report 2009, offers an opportunity to consolidate international cooperation and politicians' will to bring financial stability under control, it is pointed out in the document.

In conclusion, we can appreciate that we assist at a clear manifestation of the phenomenon of globalization which is contemporary with us and nolens volens shapes our behavior. The problem which is raised is not how to stop this phenomenon but how we can influence its evolution such so that we get it out of hand. We appreciate the opinion of the ex-president of United Nations Organization, Kofi Annan, who said: „If we cannot make globalization work for all, in the end it will work for none”. Globalization should generate an economic growth, equity, security, education, environmental protection, in a word a better global governance, which assure a larger distribution of opportunities and a favorable environment for economic growth.

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