

# **THE INFLUENCE OF GLOBALIZATION UPON THE INTERNATIONAL ECONOMIC ENVIRONMENT, MAINLY THE ASIAN ONE**

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**Abstract:** : The world economy is tripolar today, being dominated by the USA, the EU and Japan. Nevertheless, we must not disregard that China, India or Russia have a large economic and human potential and they incisively entered the economic competition altogether. For the time being, these countries represent regional or zonal powers and they started to play a commanding role together with the beginning of the international economic life. Organizations such as WTO or the UN offer, there is no doubt about it, an important chance to increase the contribution of the multilateral commercial system to reduce poverty and accomplish the objectives of human development. On the other hand, the practice of interstate relations demands an increased attention to the development of international trade, because from a developing and stability factor it can become a cause of instability and thus a cause of economic stagnation. The increased and accentuated interdependence of countries grew the importance of their external trade, which practically became indispensable for the economic and social growth. Moreover, the increase of national incomes in external trade led to increased consumption and increased the demand for energy and raw materials. This fact led, on one hand, to the amplification of exports and on the other hand to the increase of GDP in the developed countries. Adopting an open, impartial, rule-based, predictable and non-discriminatory commercial system may create a global partnership for development and visibly improve the international economic environment that has been severely affected by the current economic crisis. Despite the present context, the Asian developing economies bring their support substantially for the exit of the world economy from the gravest post-war crisis.

**JEL classification: G01, F01**

**Key words: globalization, economic potential, foreign commerce, financial crisis**

## **1. INTRODUCTION**

Taking part in international economic exchanges is meant to potentiate each people's own efforts and to accelerate the economic progress of all states. The current economic environment is strongly influenced by the reaction speed of countries to all the changes happening. If in the second half of the 20th century the international commerce has registered the biggest development, in the first half of the 21st century we are witnessing its biggest contraction since the Second World War. The perturbations on the international financial market and the profound recession generated an unprecedented collapse of the international trades with goods and services on one hand and on the other hand the drastic decline of the investment flows. Moreover, the size and the synchronized nature of the crisis highlighted as clearly as possible the high degree of interdependence that exists today between financial markets and commodity markets, which contributed to a faster spread of the crisis's negative effects on all the regions of the world. The degradation of the economic environment and the collapse of the international trade took place unexpectedly, being taken into account that in the last 3 decades, the trade represented a particularly dynamic component of the economic activity at a global level, with growth rates that exceeded the production of goods or the global GDP. This aspect emphasizes the increase of interdependences between national economies and their integration through trade activity. The developed countries and the dynamic Asian exporters felt the crisis's impact mostly throughout the fall of demand for their industrial goods exports. This influenced negatively the energy imports in the transition countries. In the current context, when most countries of the world have known major economic unbalance, due to the economic crisis, adopting an open commercial system, equitable, based on rules, predictable and without discrimination, it can create a global partnership for development and it can noticeably improve the international economic environment.

## **2. OBJECTIVES**

This paper's main objective is the research regarding the analysis of international business environment, focusing on the Asian one, presenting their evolution before and after the global financial crisis. It is taken into account the crisis impact on the macro and mondo – economic processes, by knowing the external markets, the international economic conjuncture, supplying this way with essential information the production and decision subsystem. The theme presents and deepens the content issues regarding international cooperation, by improving the WTO rules and by adapting these ones to the actual realities in global economy. The research regarding the international trade collapse from 2009 emphasizes the influence of the protectionist pressures, through new forms, much more subtle and non – transparent, which made harder the recovery process of the international economic environment.

## **3. METHODOLOGY**

- Interdisciplinary analysis from the point of view of world economy, management and economic theory
- Statistic analysis of the evolution of the world economic environment, emphasizing international commerce between 2003-2009

## **4. ANALYSES**

#### **4. 1. The evolution of the international economic environment before the financial crisis**

After 2003, the international economic growth registered a visible improvement and in 2006 it managed to show the quickest growing speed in the last 30 years, after a visible delay in the first part of 2005. This improvement at worldwide level was mainly due to the Asian economic development which decreased its vulnerability and previous dependence as compared to the USA economy. According to the statistical data, the World Value Added Tax was predicted to grow with more than 3% per year from 2005 until 2006, a percentage that was mostly sustained by the developing countries, mainly the countries in South and East Asia. Asia has shown a huge economic dynamism for 40 years, and the countries in the region have also developed in their turn. Considering China's and India's economic potential – countries that have recently counterbalanced their debut – South and East Asia have undoubtedly become a new pole of development for the world economy.

Up until the beginning of the financial crisis, the economic environment has remained generally favorable to the developing countries, and international commerce has continued its remarkable growth. Furthermore, the export of developing countries has grown more rapidly than the international export; one could observe a linear evolution of the developed countries, while the developing countries have had an essential contribution to the growth of the world economy. The increase of prices in energy and raw materials in 2003-2006 essentially contributed to the improvement of commerce conditions for many developing countries, where capital flows are increasing. In 2005 merchandise exports of developing countries increased with 25% as compared to 2003, reaching 3 billion dollars and their part in the world export increased with 33% in 2005, as compared to 24% in 1990. More than that, the volume of world commerce increased with more than 11% in 2004 and decreased with almost 8% in 2005 and stabilized in 2006, as a result of the lowering of the import demand in most importing countries such as: the USA, Japan, China and other developing countries in Asia [5]. The growth and the accentuation of the interdependencies among countries have increased the importance of foreign trade which has practically become indispensable for the economic and social development. Indisputably, the growth of the incomes resulting from foreign trade has generated the growth of consumption in China, India and other countries in Asia, determining the growth of the demand for energy and raw materials, amplifying thus the growth of exports and of the VAT in the developing countries. China's economy increased with more than 9% in 2007, particularly as a result of the growth of exports and of the high level of investments. China's projects are still focused on applying restrictive administrative political measures, the growth of the investments in the infrastructure and providing basic goods. China's economy has continued to represent the engine of the regional development as a result of the investments they made, mostly in: constructions, real estate and ferrous metallurgy. The Chinese commerce volume is maintained on the same trend due to the access on new markets and to the dollar depreciation of which contributed to the growth of competitiveness of Chinese exports [4]. China is an important factor in the growth of the intraregional commerce, and together with Hong Kong absorbed 17% of the other countries' exports in emerging Asia, in 2002, and contributed with 35% to the growth of other countries' exports, in 1998-2002. The annual average of the rate of economic growth in emerging Asia was almost 7% from 1970 until 2002, as compared to the average of 3% registered by OCDE. Consequently, Asia's quota to the formation of the

VAT increased from 9% in 1970, to 25% in 2003, as compared to 21% registered by the USA [6]. In Asia, the part of the intraregional commerce in intermediary merchandise exports increased from 25% in 1970, to 47% in 2002, while the USA, the EU and Japan's part registered a decline within the same period of time.

An important impulse of the rapid economic development in Asia was given by attention offered to the economic growth strategies, especially in China. As a result, Asia has substantially increased its participation to the world commerce from 8% in 1978 to 19% in 2003, contributing within the same year with 44% to the growth of the world VAT and with 24% to the growth of the other countries' exports. More than that, in 2004, the Asian continent had the greatest part in the participation to the world export, respectively 77% of the total exports in the developing countries, registering the value of 2.3 billion dollars [3].

#### **4.2. The impact of the financial crisis on the international economic environment**

The year 2009 has unfortunately presented us with a somber scenario, based on the background of the crash of the global demand in the context of the most serious economic recession of the last decades. The sudden slowing down of the economical rise worldwide, from 3.5% in 2007, to 1.7% in 2008 and 2.2% in 2009 show the restraint of the economic activity in the majority of the industrialized countries which will generate, in 2010, an increase of maximum 1.6% as said by UNCTAD. According to the estimations of WTA, in 2009 there has been the biggest contraction of the international commerce since the Second World War. Moreover, for the first time in the last decades, the growth of commerce has been inferior to that of the world GDP. Basically, the volume of the international commerce has decreased significantly in 2009, by 14.4%, on the basis on the rapid depreciation of the assets, on the crash of the demand and on the diminution of world production [8]. At the same time, commerce has also been affected by the drastic decrease of credits for the financing of imports and exports. Although the market of mergers and acquisitions still has the tendency to compress, China and India are out of the scenery, doubling their value in January 2010. As a result, China has registered an increase of 104% compared to January 2009 and of 26% in comparison with the first month of 2008. In India the increase was of 126% in comparison with January 2009, with telecommunications, logistics and the financial sector being the most dynamic domains. In Europe however, January 2010 has brought a 13% decrease in comparison to December 2009 and a 7% one compared to January 2009. Basically, since 2005, the first month of 2010 has been the weakest, when transactions of approximately 52 billion dollar have been cancelled. In the present background, when most of the countries of the world have been severely unbalanced economically as a result of the world crisis, the Chinese economy has grown in 2009 by 8.7%, coming very close to surpassing Japan and becoming world's second great power by 2011 the latest. After a growth of 6.1% of the GDP in the first trimester of 2009, the lowest rhythm of the last 20 years, China has registered a strong come back, with an increase of 10.7% in the last trimester. Under the impact of the world crisis, China has suffered greatly in 2009 as a result of the commercial protectionism on the international market. Statistics show that last year China was involved in 115 cases of antidumping investigations, with an estimated value of about 12.7 billion dollars, thus becoming the biggest victim of the commercial protectionism during the financial crisis.

By analyzing the top five world exporters, one can notice changes in the ranking. Therefore, in 2004 China surpassed Japan and moved from the 4<sup>th</sup> to the 3<sup>rd</sup> place, and in 2007 became the second world exporter, surpassing USA. One can notice that the

increasing trend of Chinese exports and China's dynamics of economic development have been maintained. France leaves the top five main world exporters in 2008, its place being taken by Holland which became the fifth world exporter. As to what the top five main world importers is concerned, in 2008 one can notice the tendency of the countries to hold their positions. USA has the first place and it controls 13.2% of world's imports, being followed by Germany with 7.3%, China with 6.9%, Japan with 4.6% and France with 4.3%. The evolution of the international commerce on the main geographical regions shows that North America has registered in 2008 the slowest growth rhythm for world imports and exports (7% and 10%). Europe too has registered a rather weak commercial performance compared to 2007, especially as a result of the depreciation of the Euro, with 12% for both import and export [8]. On the other hand, sustainable growth in both export and import has happened in the regions rich in natural resources such as the Middle East (36% and 23%), CSI (35% and 31%), Africa, South and Central America and Asia. Therefore, the share of developing countries in the international commerce has registered a new record level (38% for exports and 34% for imports) Against the background of the presented analysis another serious problem that may cause the failure of the international commerce to benefit from the advantages of globalization is signaled out. This is the result of the crisis of the International Chamber of Commerce, 62 years after the closing of the General Agreement on Tariffs and Trade – GATT, as a result of the delay in finalizing the Doha Round. Thus, all types of export subsidies should be dissolved by 2013, the internal support that distorts the internal commerce must be reduced with 60%, and the tariffs regarding the agricultural products with more than 50%. The most important players of world commerce have to solve their differences of opinion concerning the subventions given to farms and the tariffs, in order for the situation not to be tense.

## **5. CONCLUSIONS**

At present, under the impact of the world crisis, the world governments are resorting to ample protectionist measures even though WTA has warned that establishing new barriers will have a dramatic effect on the international commerce. Although the main governments of the world have promised in April 2009, at the G20 Summit in London, that they will refrain from applying new barriers in the way of the investment and commercial international waves, between April and August 2009 they have prepared 134 new restrictions aiming at both transactions of capital and at the trans-border exchange of goods. The WTO activity of monitoring the protectionism's evolution at a global level, reveals that starting with the last quarter of 2009, this phenomena shows a clear reduction tendency. On the other hand, the Trade Alert Global Report from February 2010 contradicts the WTO point of view, showing the protectionism international escalating tendency, under new forms, atypical for the classic protectionism. The Global Trade Alert Economists put a warning regarding the increase of legal protection practices, unsanctioned by the WTO, among whom stand out the antidumping measures, the countervailing taxes and the safeguard measures. But, whatever the polemic of this subject is, the global economy history emphasizes the danger the resurgence of protectionism presents for the recovery process of the international business environment, especially for the commercial market. The example given by the economic crisis between 1929 – 1933, when interior oriented trade policies and excessive protectionism led to the extension and to the deepening of the global economy recession, comes and strengthens the belief that the world's countries must act

wisely and become a force to combat the negative effects with a powerful impact on the evolution of each economy, by relaxing trade policies. Starting with the first part of 2010, the global economic environment is experiencing a considerable improvement, the economic prospects are encouraging and the international trade seems to be an essential component of this recovery. Rebalancing the global demand should aim directly to reduce the major imbalances in main states trade balances, and for this purpose the states with large surpluses must facilitate more the import demand from the countries with chronic deficits. In this context, the importance of the "G20" implication degree is outlined, which will assure a coordination of economic, politic and monetary policies of the main countries in the world. At the same time, one mustn't neglect the importance of implementing developing policies and strategies to avoid conflictual situations which could generate additional obstacles in the safe recovery of global economy.

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