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Contradictions of the Process of Globalization in the World Economy

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Abstract
Globalization is the process by which the world is interconnected through technology and powerful infrastructure for the purpose of communicating and managing resources. Globalization seems to talk about several vibrant phenomena which ensure two major components. Firstly, they function across national boundaries and secondly, they result in higher incorporation or interdependence of human societies. It is therefore one aspect of development that affects the world in general, from every point of human view. This paper tries to present from a historical perspective, financial globalization is not a new phenomenon, but the depth and breadth of globalization today are unprecedented. The recent wave of globalization has generated an intense debate among economists, attracting both strong supporters and opponents. This paper tries to present a balanced view of financial globalization,outlining the benefits and risks that globalization entails for developing countries and emerging markets. The paper revisits the arguments and evidence that can be used in favor of and against globalization. Starting from here in this paper is implemented analysis and are given answers how today in the era of globalization the economic allocated in the world economy, the causes for the weakness in the global economy and the transformation of power in the world economy.
Keywords: globalization, economic power, transformation, international trade, international finance

1. INTRODUCTION

Globalization is a process of economic interaction and unity amongst people, companies, and governments of different nations through sustained and open commerce. It is also described as a process primarily driven by international trade and investment. This economic force is substantially aided by both strong political and economic forces that are pushing for the expansion and the creation of strong economic and manufacturing bases on foreign soil. Yet despite its' many advantages, globalization is also said to contribute to detrimental effects on the environment, on culture, on political systems, on economic development, prosperity, and on human physical well-being in societies around the world.

Globalization refers to a process through which national economies are becoming increasingly open, interdependent with other countries and responsive to international economic influences (Mishra, 1998). In the era of globalization, Hirst and Thompson (1996) assert, national economies cease to exist because they are subsumed into the international economic system. Production becomes global, corporations become stateless, and national governments can no longer regulate or control these global corporations.

Globalization was also influenced by international organizations like the World Bank, the IMF, and the WTO, devoted to increasing trade and development. The result is multinational enterprises (MNEs) with budgets larger than the economies of many countries.

The fact is that globalization is underway and that, at least at the present stage, takes place asymmetrically. The different level of economic development of individual countries is probably the main reason that many of them cannot be integrated into the global economic trends, i.e. they cannot evaluate the positive sides of the process of globalization or if they do, then that it is to a lesser extent. Another part of countries are outside of the process of globalization or absolutely "lost" in it. Accentuated marginalization in the current stage of globalization is an inevitable fact, because at its core is built model of "market fundamentalism" which, per definitional acts according to the principle centre - periphery id Est produces regional disparities favouring the developed countries and dissimulates the less developed.

2. DEEPENING OF THE GAP BETWEEN DEVELOPED COUNTRIES AND DEVELOPING COUNTRIES TODAY IN AN ERA OF GLOBALIZATION

As before and especially today is fact that the power is uneven distributed in the world economy. Based on that here one can conclude that the world power, i.e. worldly wealth is concentrated in one small number of countries.

The tendency to deepen the discrepancy in development between developed and less developed countries continues, the ratio based on the level of development, as measured by GDP between developed and least developed countries in 1946, is 10: 1 and today is over 100: 1. On the other hand, the relationship between developed countries and developing countries from 11: 1 in 1946 is now 15Most explicitly that is presented by the following data.

Table 1. The discrepancy in the level of development between developed countries and undeveloped countries, developed countries and developing countries for the period from 1946 to 2010 year

Year	Least developed countries	all developing countries
1946	10.5: 1	11.0: 1
1960	26.5: 1	12.3: 1
1970	37.3: 1	12.1: 1
1980	44.4: 1	12.9: 1
1990	60.2: 1	13.0: 1
2000	90.0: 1	14.9: 1
2010	94.3: 1	15.3: 1

Source: A Fair Globalization, Creating Opportunities for all “World Commission on the Social Dimension of Globalization Washington DC”, 2011

On the other hand, global economic growth over the last fifty years has been impressive. That was evident in developed countries which have progressed at a rapid rate, despite the poor countries that are moving forward with slow steps and lag more than in developed countries. In the period from 1947 to 2010 the average per capita, in the world, had increased by approximately ten times, more precisely, the GDP had increased from three trillion to thirty trillion US dollars. However, despite this growth of world output, more than eighty countries have lower per capita today than in 1990. Also, over 25% of the 4.5 billion people in poor countries still have lifespan less than forty years. Also, the average income in the five richest countries in the world is about 114 times greater than the five poorest countries so that this gap is the bigger than ever.

Based on the above, our view is that the problem of the discrepancy between the developing countries and developed countries are increasingly deepened as a result of the actions of the process of globalization. In this context it is evident that the world GDP in the twentieth century has increased tenfold in developed countries while in developing countries three times. In fact, the rich countries of the North skilfully, on the best way possible, had used the starting positions in the process of globalization. The uses and the effects of globalization for this group of countries are enormous, as can be seen from the following table.

Table 2. The effects of globalization on developing countries and less developed countries from 1970 to 2010

Year	**Percentage of global income in favor of the 20% richest countries**	**Percentage of global income in favor of the 20% poorest countries**	**Relationship between the richest and poorest**
1970	70.2	2.3	30: 1
1980	73.9	2.3	32: 1
1990	76.3	1.7	45: 1
2000	82.8	1.3	64: 1
2010	85.3	1.1	90: 1

Source: Brown and Kane*, The globalization of World Politics,* Oxford University *Press,* 2011 p 456

Also, for the gap in the development between developed countries and developing countries had contributed the TNCs, on the one hand, and the limiting factors of their development and exponential growth, on the other hand.

For several decades the core of the world economy is managed internationally. So financial markets were initially led by the IMF, although they are now decentralized trade is managed through the WTO (formerly GATT); and economic politics is coordinated through G7.agencies did not pay attention to what might be regarded as the central problem of the global political economy. The arising between them, the gross differences in income and wealth among its constituent, sub economies and relations of domination and subordination. Growing integration the rich with the poor sub economies has tendencies to stabilize one class system on a global level.

In the previous eras international relations of inequality were viewed as unproblematic outcome of the superiority of the dominant forces. In the current circumstances, they often as morally repulsive, and more often as a problematic, in terms of their capacity to undermine the world economy as a whole.

The first evidence that global inequality has been viewed as a general policy issue was the institutionalization of theprograms for economic assistance, established separately from the more highly developed countries in the fifties and sixties goals: to prevent specific for human life (such as temporary poverty), to fill the local economic pump with funding such strategic projects (such as dams)or to overcome social and cultural barriers to the development including the introduction of programs for birth control. The financial transfers were often accompanied by teams (www.imf.org./poverty;reduction&growth;facility).

Such development assistance was rarely altruistic or controlled by the receiver, it was often directed towards the former colonies and established spheres of influence; and was often associated with military assistance as a way of sustaining of a particular ideological mild in the home-state and was insisted the money from it to be used to purchase products from a donor country. Almost all donors had a clear obligation to maintain markets for manufactured products and the stable low cost profits on the raw materials in the host countries.

Assistance had formed part of the spectrum of relations, including trade and debt, between rich and poor countries, which seemed as reinforcement to the global inequality. By the seventies developmental issue generated a crisis of legitimacy in these relations - the requirements for morality, the way that rich countries treat the poor, can no longer be sustained. Hence, from there emerged two social scientific theories that effectively delegitimize this relationship. The first is the so-called Singer-Prebishov or structuralism proof. It suggests that rich countries have dynamic economies aimed at technological progress in which corporations and effective unions can keep the prices of manufactured goods.

At the same time, poor countries have weak investment matrices disorganized labour, which means that exists constant decreasing pressure upon commodity prices and there is no incentive for industrial diversity. That creates a consistent trend towards growing parity between manufactured products and raw materials, thereby making development impossible.In contrast, the theory of addiction, as is well known, focuses on the allocation of capital. Namely, proves that those who have capital carefully use the allocation of capital to control the matrix of development of the developing countries.

These proves led to a conference sponsored by UNCTAD, to which all states, in principle, agreed to improve upon, establishing balance in the growing in terms of trade, and to the developing countries was given greater power in the bodies of global economic governance. However, few of those goals were realized, so the international economic order, generally, became more untidy and decentralized and in which the position of the developing countries had becoming more unfavourable (www.unctad.org).

3. THE INTERNATIONAL ECONOMIC RELATIONS IN CONDITIONS OF GLOBALIZATION AS A GENERATOR OF DISPARITIES IN THE WORLD ECONOMY

In the present level of socio economic development the national borders are too narrow and there is a necessary need for a common global knowledge, appreciation and regulation or dismissal of the issues and problems that concern all countries and peoples, irrespective of the continent where they belong and level of development. This condition occurs as a result of a growing and diverse interdependence between countries in the world and the world economy

The system of international economic relations are regulated in the same way as it is placed before 5 decades, according to the concepts and interests of countries that at that time had primacy in the world economy. When developing countries started to appear on the world stage after the Second World War, they are faced with a system that does not suit to them and a system that exclusively promotes only the interests of developed countries.

Today, when major changes are ongoing in the world and in the multilateral cooperation, the developing countries are marginalized on the world political and economic scene. In fact, they are forced to focus their activities to convey to the international organizations that are major promoters of international economic cooperation, such as the World Trade Organization, International Monetary Fund and the World Bank, which is exclusively a function of the developed countries.

Although formally all member states agree that developing countries should provide better conditions for development, specific actions in this direction are running hard and with resistance from developing countries. In fact here we talk about really radical views and about deeply rooted principles and rules of the existing system.

Let we emphasize the principle of non-discrimination, for example, which is the foundation on which rests the theory and practice of international tradeWhen developing countries expressed the need, that rule to be not applied in the international trade for the developing countries and to be granted preferential treatment for them, it was seen as a real shock It was estimated that by such procedures will be disturbed the foundation of the system for international trade and that it will lead to discrimination in international trade, and so on. Also underdeveloped countries have never exercised the right to access the markets of the developed countries Subsidies given from developed countries to their producers make them more competitive against products from developing countries.

The conditions in international trade mentioned above strongly reflect the competing interests of countries. These and many other trade issues shook the international trading system and disrupt its stability. Initial efforts for a new conceptualization of the international trading system are made by the institutions that are regulated by international trade relations. These reforms relate to: further liberalization and expansion of world trade to increase the welfare of all countries, especially the developing countries, strengthening the role of the WTO, improvement of the system of multilateral trade on the principles of the WTO, with the goal of enhanced multilateral discipline.

However, the practice warns that unless radical changes are implemented in the total socio-economic relations, it will remain unrealized.

Transformations and settings of the WTO and other international organizations that govern international economic relations are WTO constantly transforms, this organization emerged from the transformation of a previously established system of trade relations-The Conference on Tariffs and Trade (GATT) that due to the adjustment of economic relations at the time had to be changed. These changes apply to the policies of the World Bank and the International Monetary Fund as well. The IMF imposes its ruling policy in developing countries, promising them access to capital, if they accept its decisions on monetary, fiscal and trade policy. It is not just advice; it is actually ultimatums which must be accepted in order to gain access to the capital market and to get development programs and funding from the World Bank in the developing countries. These issues are intertwined with the social policy in each country individually. Because of such interweaving in the developing countries internal conflicts occurred also, as well as a loss of power for the governments that their elections were gained in a democratic way.

So huge are the efforts for long-term consolidation between the developing countries and international institutions, and these efforts are aimed at addressing of the need for convergence of economic performance as a priority and a necessary condition of finding ways that will provide a significant degree of discipline and coordination for the implementation of national economic policies.

Hence, starting from the complexity and conditionality of the total changes in international economic relations, it can be concluded that the resolution of the problems that they are facing, must be sought in a broader context, i.e. to include financial, monetary, trade and technological and developmental structures. Although, today, because of these inconsistencies and conflicts, there is no global development strategy in the long run yet it represents an inevitable perspective. The awareness for the basic cultural values of the new global society will give the model of sustainable development, according to which there should be a place for all, enough space for development and quality of life of all nations and countries with humanization of relations in the world.

4. DEVELOPING COUNTRIES IN A GLOBAL STRATEGY

From the discussion of globalization and its many facets to a discussion of the costs and benefits to globalization this survey moves to a discussion of “Globalization and Strategy” where the options for a multinational firm are introduced. The survey goes on to introduce the factors that affect a corporation’s strategy to invest abroad. Yip (1989) discusses four industry drivers that affect this decision: market drivers, cost drivers, government drivers and competitive drivers. *Market drivers* include the level of homogeneous needs, global customer base, available global channels, and transferable marketing. *Cost drivers* include economies of scale and scope, learning and experience curves, favorable logistics, differences in country costs and skills, and product development costs. *Governmental drivers* include favorable trade policies, compatible technical standards, and common marketing regulations. *Finally, competitive drivers* include the interdependence of countries and competitors who are global or becoming global. Lovelock and Yip (1996) apply this analysis to the service industry

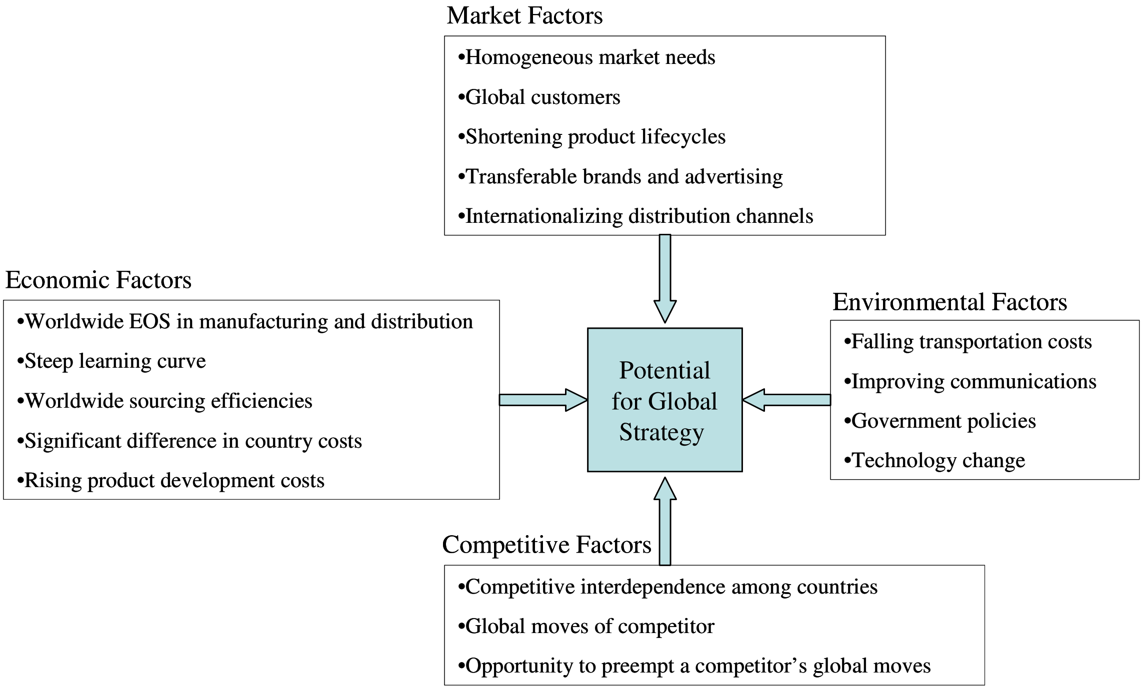
As we explore the opportunities of corporate strategies with regards to globalization Rugman (2001), adds a word of caution “a pure globalization strategy” that is typified by *high economic integration* and *low national responsiveness* will not always work in the 21st century. It is along these lines that he emphasizes a regional focus and discusses five lessons that have been learned as corporations go beyond national boundaries. The five lessons are (1) learn to deal with different cultures and be nationally responsive rather than assuming an integrated global market, (2) managers should develop network organizational competencies rather than relying on international divisions or global product divisions, (3) organizations should make alliances and foster cross-cultural awareness in senior managers (4) managers should develop analytical methods for assessing regional drivers of success, and (5) managers should “think regional, act local – and forget global.” Rugman (2001) seems to see the benefits of globalization but with cautious optimism, and emphasizes a regional focus rather than a purely global strategy.

However, there are five dimensions of globalization: domination of major markets, core product standardization, concentrating of value-adding activities, adopting uniform market positioning and marketing mix, and an integrated competitive strategy.

The benefit of domination in major markets brings several benefits in terms of corporate strategy. First, larger economies of scale, learning benefits from each country, the ability to manage countries as a portfolio and to exploit differences in product life cycles, and participation in countries that lead development will allow the company to be at the cutting edge of the product category. Standardizing the core product and customizing superficial aspects can be a way for companies to meet the dynamics of global and local demands. Also, the benefits of concentrating value-adding activities in a few countries include gaining economies of scale and leveraging the special skills or strengths of particular countries. Adopting a uniform marketing positioning and marketing mix allows companies to save in the cost of developing marketing strategies and programs. A uniform marketing position and marketing mix also gives the company’s internal focus. Finally integrating competitive moves across countries allows countries to view the world as a competitive battleground and to cross-subsidize. Cross-subsidizing allows a company to move cash generated in a profitable high-market-share country to a strategically important but low-market-share country.

So huge are the efforts for long-term consolidation between the developing countries and international institutions, and these efforts are aimed at addressing of the need for convergence of economic performance as a priority and a necessary condition of finding ways that will provide a significant degree of discipline and coordination for the implementation of national economic policy.

Figure 1: External Drivers of Industry Potential for Globalization

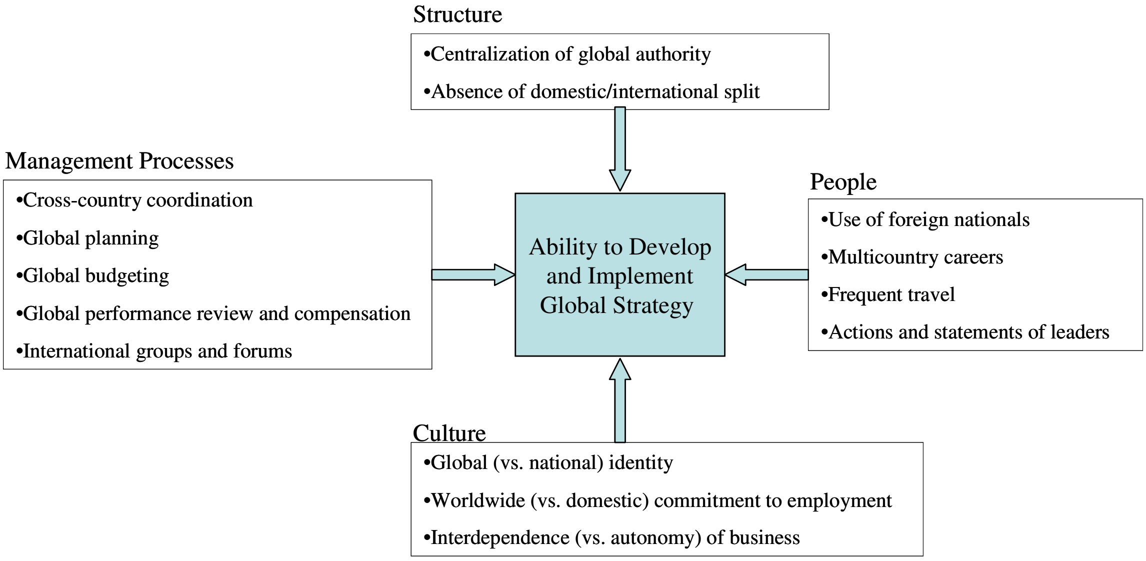


Source: Yip, et al (1988)

In addition to the five dimensions of globalization there are two aspects that a company must look at when creating the corporate strategy - external and internal business factors. External business forces involve the interaction of industry drivers of globalization and the different ways in which a business can be global. (Yip et al, 1988) The industry's potential for globalization is driven by market, economic, environmental, and competitive factors. (See Figure 1) Market forces determine the customers' receptiveness to a global product, economic factors determine whether pursuing a global strategy can provide a cost advantage, environmental factors show whether the necessary infrastructure exists, and competitive factors provide the incentive for action (Yip et al, 1988).

Internal business factors play a role in determining how well a company can implement its global strategy. Four factors influence a company's ability to develop and implement a global strategy: organization structure, management processes, people, and culture. The organizational structure of a global company should be centralized so that the business focus will dominate the country focus. The management processes are also important. Cross-country coordination, global planning, global budgeting, global performance review and compensation, and international groups and forums are examples of global management processes. The people in a global firm are also important. The use of foreign nationals, a requirement for multi-country careers, frequent travel, and clear global intentions are important for a global strategy.

Figure 2: Internal Factors that Facilitate a Global Strategy



Source: Yip, et al (1988)

Finally, a global organization must be interdependent. Yip et al (1988) suggest a global strategy audit to assess how global the industry is and where it is headed in the future, to better understand how global the firm's current strategy is and how it compares to competitors in the industry, to understand the potential for further globalization, to identify the organizational factors that will facilitate or hinder a move towards globalization, and to give the firm a broad action plan in terms of strategic and organizational change priorities (Wendy. M. Jeffus, 2011).

5. CONCLUSION

Based on foregoing, our view is that the problem of the discrepancy between the developing countries and developed countries are increasingly deepened as a result of the influence of the process of globalization, specifically through the elements of economic globalization (international trade and international finance) and TNCs on the one hand, and limiting factors of their development and exponential growth, on the other hand. Inequality in the development, as a global problem, causes many negative consequences, homogenizing the underdeveloped countries on the basis of poverty, which poses a serious threat to the world peace. Therefore, this issue requires global solutions and interventions, and the major it opponent to that is the large capital which does not want to lose the opportunities for large profits.Any attempt to regulate the economic relations globally, the large capital and its media perceive as a blow to their interests. Despite their strong resistance, it is necessary to institutionalize the international economic and political relations for constructive resolution of these problems.

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