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ECONOMY GLOBALIZATION AND INTERNATIONALIZATION OF BUSINESS

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Abstract

In the conditions of contemporary world, the active participation in international division of labor is an essential component of the development process of each country.

In this context the foreign trade, as a distinct branch of the national economy is an important factor of economic growth caused by the internationalization of business and determining for the process of globalization.

Starting from the belief that international business development tends to become a condition of existence of firms, regardless of size or scope of activity, in this paper I will address the theoretical issues on globalization and internationalization of the economy and business correspondence between the internationalization stages and the forms of international transactions.

1. Introduction

In the conditions of contemporary world, the active participation in international division of labor is an essential component of the development process of each country.

In this context the foreign trade, as a distinct branch of the national economy is an important factor of economic growth caused by the internationalization of business and determining for the process of globalization.

International business development tends to become a condition of existence of firms, regardless of size or scope of activity and the consequence is that the internationalization and globalization constitute the fundamental features of the early century and millennium.

The internationalization of business transactions, understood as the pursuit of such activities across national borders is not a new phenomenon in the global economy, during the postwar it has taken a unprecedented boom under the momentum of several factors, such as: postwar reconstruction process, the institutionalization of international economic relations, progressive reduction of barriers to trade flows and international financial, cost of transport and communications, technical arrangements of transport, expanding transnational business.

Regardless of size or scope of the entities in which they operate, business development worldwide tends to become a condition of existence for companies and business strategy must respond to the demands of globalization.

The evolution of contemporary society, characterized by increased freedom of action, gives to entrepreneurs a wide field of functional integration in the foreign trade of the European Union and internationally frame.

In the current context of globalization of world economy, functioning and coordinated on sustainable development of economic systems involve, necessarily, to obtain the highest results and meeting the needs of present without compromising the ability of national economies to meet/satisfy their own requirements in the more or less removed future.

Starting from the belief that international business tends to become a condition of existence of firms, regardless of size or scope of activity, in this paper I will address the theoretical issues on globalization and internationalization of the economy and business correspondence between internationalization stages and forms of international transactions.

2. Internationalization of business in a globalized world economy

The active participation in international division of labor is an essential component of the development process of each country.

Expressing relations which are established between countries in the process of development the production and international trade, international division of labor is a global phenomenon, operating in a global economy increasingly connected¹.

Economic progress of a country depends, among other things, on the degree of mobilization and use intensive of own resources (human, material and financial) and the efforts of each nation that can not be isolated from world economic circuit.

Participation in the international division of labor and implicitly to the world economic circuit is likely to enhance their efforts of each nation and accelerate economic progress of all states.

As a result, the general economic progress of mankind is the result of economic progress of individual countries and the exchange of values between material and spiritually between those².

The world economy today is no longer a simple sum of national economies and national markets put in contact but a system global-universal, unity through relationships between subsystems, components, but through it's structure was extremely heterogeneous and contradictory.

The structure of the global economy today is comprised of the following under-systems³:

- ◆ the economies and national states;
- ◆ the international division of labor;
- ◆ the system of international economic relations;
- ◆ the world market;
- ◆ the economic world circuit, including the mechanisms of development of its flows (mechanism of trade, price, monetary, financial);
- ◆ the institutional system of international economic relations, the economic organizations and international bodies;
- ◆ the legal system which includes principles, rules and regulations of economic relations between countries.

The level of economic development of various countries, also the degree of diversification and specialization of world production, determines the degree of integration of national economies into the world economy, which differs substantially by country and groups of countries.

The integration process of economic inter-state relations and ultimately, the globalization, involves lifting of restrictions, harmonization of regulations to facilitate trade development, the expansion of multilateral cooperation, technology transfer, improving the accessibility of international financial exchange-rate.

The globalization of the world economy began in the mid 80's, has acquired new followers in the decade of 90 years and now continues to be strongly although it faced regional and national concepts.

In the speciality⁴ literature, some authors use the term of globalization. Other authors consider the relationship terms globalization and worldwide integration as part of the whole, or more, globalization is a step in the worldwide process.

P.M. Defarges, in the work/thesis "La mondialisation vers la fin des frontières", states that French literature promotes the concept of worldwide ((mondialisation) and the Anglo-American prefer the globalization (globalization) in order to describe and characterize the same phenomenon.

¹ Paraschivescu, M.D., Radu, F., *Accounting concepts and models in foreign trade activity* Tehnopress Publishing House, Iasi, 2005, page 11

² Sută, N., Sută-Selejan, S., *History of world commerce and trade policy*, All Publishing House, Bucharest, 1997, page 111

³ Nechita, V., and others, *Political economy, tome. II*, Porto-Franco Publishing House, Galati, 1991, page 237

⁴ Paraschivescu, M.D., Radu, F., op. cit. page 12

In its vision, the worldwide is characterized by "... the expansion and acceleration of flows: goods, services, information, ideas, values ... and frenzy of travel (tourism, temporary or permanent emigration)".

In the French publication "Problèmes Economiques" from April 2002, *globalization* is defined as a process that involves three steps: the internationalization, transnationalization and globalization. On the other hand strictly referring to globalization, the same publication points out that this term is a neologism of Anglo-American origin used to explain globalization. (Hristea AM, PhD Thesis "regional groupings in the evolution of the contemporary world", ASE Bucharest, 2004, page 16).

Globalization of world economy can be defined, broadly, as the very dynamic process of growth of the national linkages, as a result of enlargement and deepening of transnational linkages increasingly broad into diverse life spheres of economic, political, social and cultural rights, and having the implication the fact that problems become global rather than national, and their solving must be appropriate

Addressed from economic and financial point of view, the globalization can be defined as the widening and strengthening of links between national economies on the global market of goods, services and especially capitals.

A similar definition is presented in a report in 1997 of the International Monetary Fund, that: "the phenomenon of globalization is the integration of world economy in strong growth both with the markets for goods and services and the capital".

A number of aspects of social and economic life today illustrate the process of globalization⁵:

- ❖ the global nature of science and technology: even if the major sources of technical progress is concentrated in the developed world, the scientific research is based on global resources, and implementation of technology is focusing on global concerns;

- ❖ the global marketing: marketing strategy of companies meet the requirements of globalization and promote this process (universal brands of consumption such as "coca", culture of advertising etc.).

- ❖ the global financial system: the world economy "symbolic" is based on a network involving, on a global scale, the banking institutions and capital market, national regulatory bodies, international financial bodies etc..;

- ❖ the communications infrastructure: technical progress has allowed the improvement of communications materials (transport), the coverage of the media world (eg CNN) and, especially, the establishment of a global network of transmission / reception of information (eg Internet);

- ❖ The worldwide institutional frame: some kind of governmental organizations (UN system) or nongovernmental (NGO) promoting debates and actions regarding global issues: pollution, crime, under-development etc.

The world states participation in the economic world system is the inside condition of development and progress of civilization of the XXI century, it became so, integral part to a global economy increasingly uniform.

Economic globalization is a gradual integration of national economies in a process that continues to diminish the importance of boundaries for the development of economic activities.

Expanding to world level of economic relations and creating an international business environment stimulate the global process and the globalization process also.

The internationalization of world economy, understood as the ongoing activities across national borders, is not a new phenomenon.

⁵ Popa, I., *Foreign trade transactions*, Economic Publishing House, București, 2002, page 18

In the postwar period, it becomes an unprecedented impetus, under the impulse of many factors, including: the process of postwar reconstruction, the institutionalization of international economic relations, a progressive reduction of barriers to trade flows and international financial, cost of transport and communications, development technical of modes of transport, expanding business of transnational societies etc.

The process of globalization and of worldwide action is stimulated by the expansion of economic relations and creating an international business environment.

International affairs, seen as all activities outside the national borders, are including international trade, foreign production, industrial services in transport, tourism, banking and financial, advertising and communications, construction, retail sales and big⁶ parties sales.

By overcoming the local, national and regional limits as well as addressing the environment in global manner, the enterprise is integrated in the general trend of internationalization with not lack of it from this mechanism.

From this point of view, *the internationalization* is the body of methods, techniques and tools put at the service's strategic approach of the enterprise to work abroad⁷.

3. Internationalization stages of business and forms of international transactions

The process of internationalization of business is done in several *stages*, each stage's being related to forms of transactions and specific concepts:

➤ *a first stage* of international business development is the *internationalization process of trading goods*. To this stage it corresponds, in the forms of international transactions, the business/commercial operations. It is, first, the export of goods, supplies and services, and combined operations (the counterparty, reexport) or some type of commercial implant in foreign trade (creation of trade offices);

➤ *a second stage* of international development is the *internationalization of production*. This can be done through various forms of alliances and international cooperation aimed at:

- the technology transfer for the multiplication of goods abroad (licensing, franchising, selling know-how etc.).

- the partial or total relocation of production capacity and integrating goods in distribution system for domestic and international (lohn production, subproduction etc.).

- creation of overseas units of production and marketing system in joint ventures

➤ *a third stage* of the internationalization of the business world is the *internationalization of the firm*. In this case, the main way of achieving internationalization is direct investment, and which form it takes is the implantation abroad. Implantation process, are usually a stage character, ranging from the establishment of abroad branches and processing until assembly to complete the industrial and commercial implementation.

The correspondence between internationalization stages and forms of international transactions is illustrated in Tabel no1⁸:

Tabel 1

Internationalization stages and forms of international transactions

⁶ Dumitru, I., PhD, *Marketing strategies of penetration the foreign market* SE Bucharest 2003, page 57, adapted after Ball, D.A., McCulloch Jr., W.H., "*International business – The challenge of global competition*" sixth edition, Irwin McGraw - Hill, 1996, page 7

⁷ Pop, N.Al., Dumitru, I., *International marketing*, Uranus Publishing House, Bucharest, 2001, page 15

⁸ Popa, I., op.cit page 12

Internationalization of marketing	International commercial operations - export/import of goods
Internationalization of production	Alliances and international cooperations - licensing, under production, joint societies
Internationalization of enterprise	Implement abroads - direct investments in production and marketing

More and more companies adopt at present business strategies directly aimed at the world market as a whole, business development worldwide becoming an imperative of progress and evolution of the economic environment.

However we can say that the internationalization of business and globalization of the economy affect the expansion of entities in *double purpose*, namely:

- first, for performance firms, the phenomenon opens the challenge to approach the external market through capitalization of the comparative advantages;
- on the other hand, by competition achieved through imports or implantation performed locally by transnational companies, the phenomenon can be for many enterprises a threat.

4. Conclusions

The development of international business tends to become a condition of existence of firms regardless of size or scope of activity, also the consequence of this is that internationalization and globalization, the higher rank internationalization, shall constitute in fundamental features of the early century and millennium.

Currently, in the line of analysts in the contemporary international economic life has outlined a broad convergence of views in the assessment that the world has changed profoundly, they are in a transitional political and economic major and early '90 decade was one, as many aspects, quite different from the previous one and very difficult on administration or management of many complex problems arising from international economic scene.

The process of globalization of world economy, started in the mid '80, got a new decade and followers in '90 and continues today to be present with power, although it faced nationalistic and regional concepts.

Approached from economic and financial point of view, the globalization can be defined as the strengthening and deepening the links between national economies on the global market of goods, services and especially capital.

It can be summarized that, strictly from an economic point of view, the efficiency of resource allocation and use, the economic globalization appears as a rational phenomenon, likely to provide a higher volume of goods and services with fewer resources still.

It follows that economic globalization entails, in essence, the globalization of creation process of gross domestic production from world states.

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