



Munich Personal RePEc Archive

Globalization of International Relationships

Drobot, Elena

North-West Academy of Public Administration branch in Vyborg

14 December 2007

Online at <https://mpa.ub.uni-muenchen.de/6488/>
MPRA Paper No. 6488, posted 31 Dec 2007 06:36 UTC

Drobot, E. Globalization of International Relationships / Elena Drobot. North-West Academy of Public Administration branch in Vyborg (Russia). December 2007.

Globalization means enormous increase in scales of world trade and other processes of international exchange in open, integrated, borderless world economy. Thus, it means not only traditional overseas trade of goods and services, but also currency flows, capital movement, exchange of technology, information and know-how, migration.

What consequences will globalization lead to in prospect? What positive consequences (the advantages) of global processes can we single out? And what are the threats of globalization for different cultures, nations and states?

This scope of questions is discussed in the article.

Globalization of International Relationships

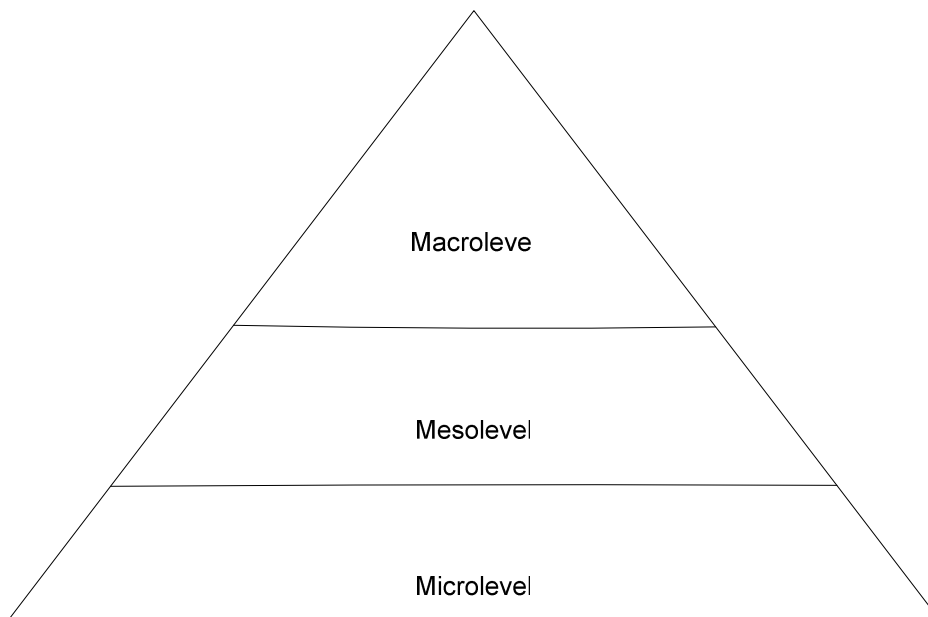
Globalization means enormous increase in scales of world trade and other processes of international exchange in open, integrated, borderless world economy. Thus, and here we should agree with professor Michael D. Intriligator, it means not only traditional overseas trade of goods and services, but also currency flows, capital movement, exchange of technology, information and know-how, migration¹.

Some economists identify **globalization** as the worldwide technological, economic and cultural change brought about by expanding facilities for communications and interdependency between isolate cultures. Dramatically increased international trade and finance have established a medium wherein deeper cultural exchanges have taken place, greatly increasing the impact of global issues at the local scale.

In economic context, the term refers to the effects of trade, particularly trade liberalization (or the "free trade"). More broadly, the term refers to the overall integration and resulting increase in interdependence among global actors.

Globalization, as well as integration, is a phenomenon, covering **three levels**: 1) regional and national economy (**macrolevel**); 2) goods, financial and exchange markets, labour markets (**mesolevel**); 3) separate companies (**microlevel**).

¹ Intriligator, M. D. Globalization of the World Economy: Potential Benefits and Costs and a Net Assessment / Michael D. Intriligator // Milken Institute Policy Brief, February 2003.



Picture 1. Levels of globalization

Process of globalization covers a number of spheres of world economy, as follows:

- international, world trade of goods, services, technology, objects of intangible assets;
- international movement of factors of production (labour, capital, information);
- international financial-credit and exchange operations (free financing and help, credit and loan for members of international economic relations, operations with stocks and bonds, special financial mechanisms and instruments, operations with currency);
- production, research, technological, engineering and information cooperation¹.

Modern global world economy is expressed in the following processes:

- first of all, it is deepening of internationalization of production, rather than exchange. Internationalization of production reveals in making the components of product by producers of many countries of the world. Intermediate goods and half-

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

finished items occupy greater share in world trade and in interoperation transfers. Transnational and multinational corporations are the institutional form of production internationalization;

- second process is deepening of internationalization of capital, including growth of international movement of capital between countries, especially, in the manner of direct investments (moreover, the amounts of foreign direct investments increase quicker than overseas trade and production). Another process is an internationalization of stock market;

- third process is globalization of production power by means of exchange of production of goods and research, technological knowledge, as well as in the form of international specialization and cooperation, linking economic units in united production-consumer system. This process is provided by production cooperation and international movement of industrial resources;

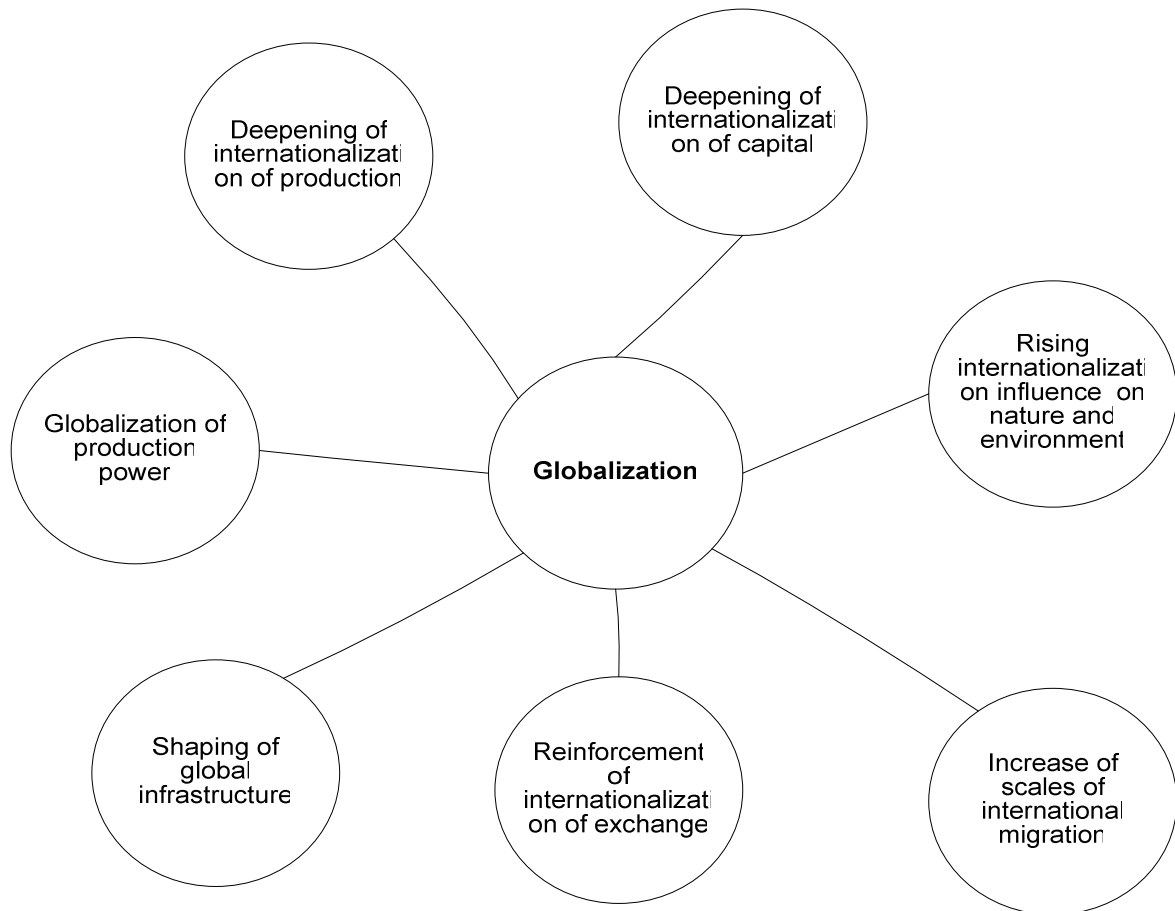
- fourth process is shaping of global material, information, organizational economic infrastructure, assisting in realization of international cooperation;

- fifth process is reinforcement of internationalization of exchange based on deepening of the international division of labor, increasing scales and quality change of traditional world trade of material goods. Much more important direction of international cooperation is a sphere of services, which develops quicker than material production;

- sixth process is increase of scales of international migration of labour forces. Immigrants from poor countries find job as unskilled employees in industrial countries. Countries using foreign labour for low-paid and unqualified work are trying to hold the immigration in certain limits. The new possibilities are opened by modern telecommunication technology in this area and they allow limiting the immigration processes easily. Any company in Europe, North America or Japan can entrust the execution of computer work to a performer, residing in other country, and immediately get finished work in its office;

- and finally, seventh process is rising internationalization influence of production and consumption on nature and environment, which leads to the growth

of necessity of international cooperation in order to decide global problems of modern global economy¹.

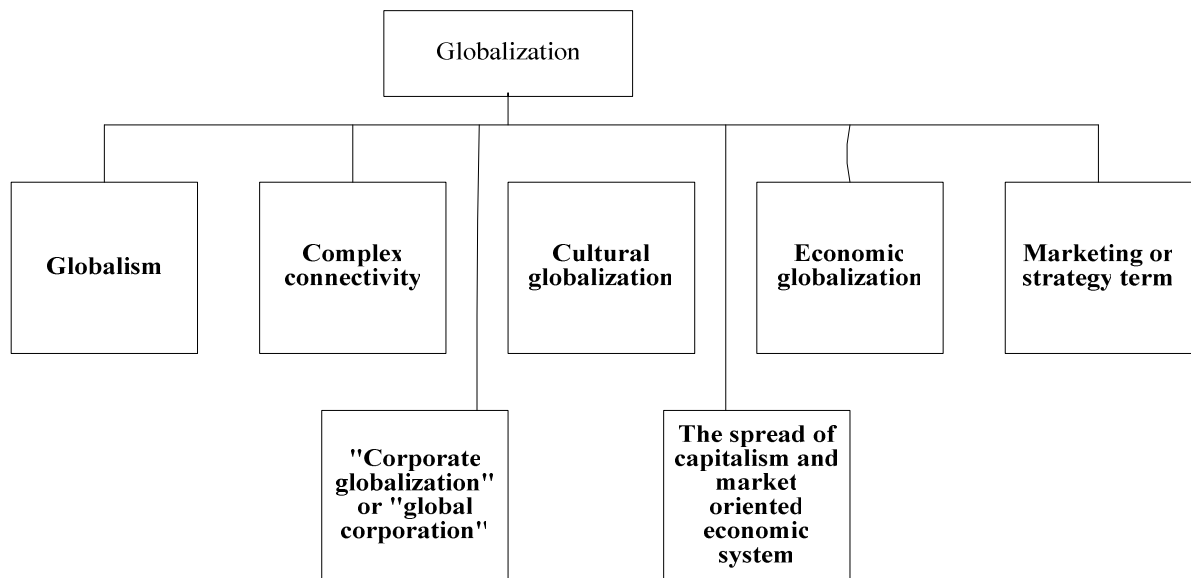


Picture 2. Modern global world economy processes²

To sum up, "globalization" can mean: globalism, complex connectivity, cultural and economic globalization, marketing or strategy term, corporate globalization, spread of capitalism and market oriented economic system.

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

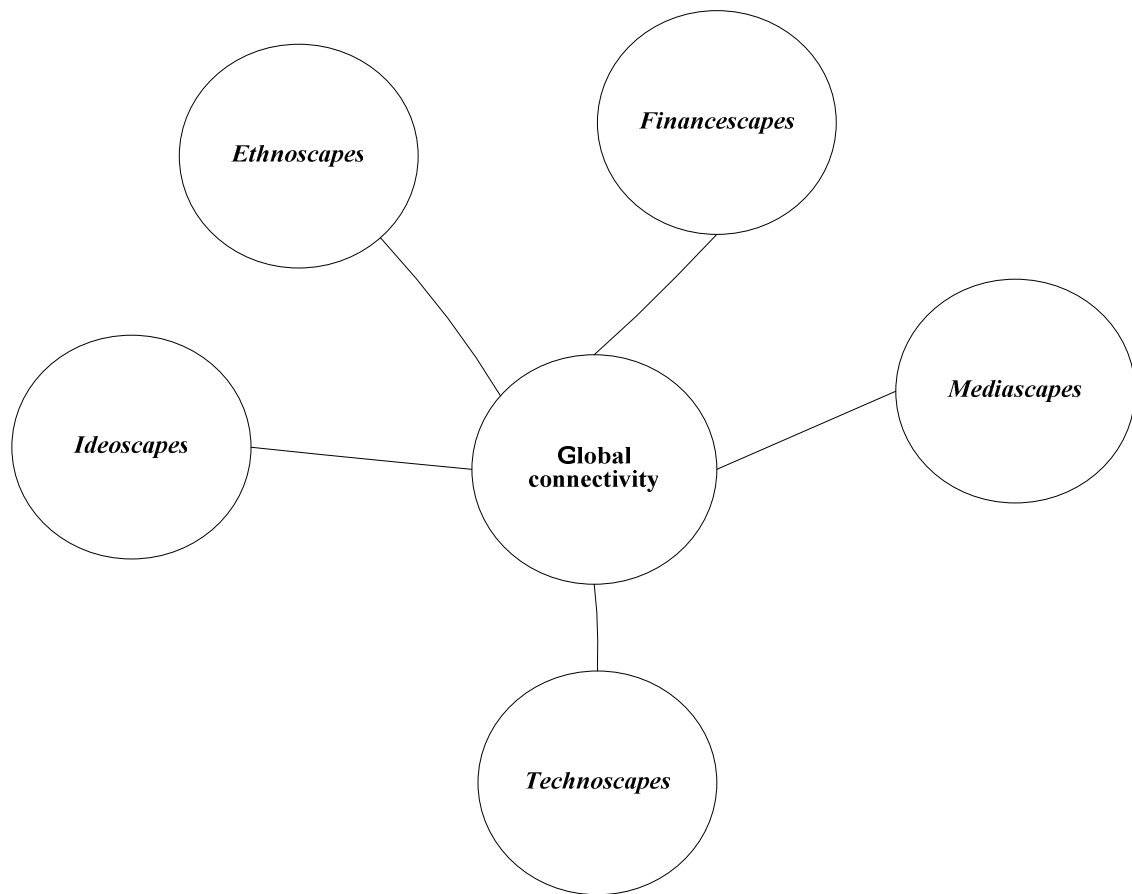
² Ibid.



Picture 3. Meanings of globalization

- **Globalism** that contrasts with economic nationalism and protectionism.
- **Complex connectivity**, where more and more places are being connected in new ways. In this aspect **five types of global connectivity** can be identified:

- 1) ***Ethnoscapes***: movements of people (tourists, immigrants, refugees, and businessmen);
- 2) ***Financescapes***: global flows of money, often driven by interconnected currency markets, stock exchanges, and commodity markets;
- 3) ***Ideoscapes***: the global spread of ideas and political ideologies;
- 4) ***Mediascapes***: the global distribution of media images;
- 5) ***Technoscapes***: the movement of technologies around the globe.



Picture 4. Five types of global connectivity

- **Cultural globalization** means attempts to erode the national cultures of Europe, and subsume them into a global culture whose members will be much easier to manipulate through mass media and controlled governments.
- **Economic globalization** refers to four different flows across boundaries: flows of goods and services, people, capital, and technology. The IMF defines globalization as "the growing economic interdependence of countries worldwide increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology".
- In the field of management, globalization is a **marketing or strategy term** that refers to the emergence of international markets for consumer goods characterized by similar customer needs and tastes enabling, for example, selling the same cars or soaps or foods with similar ad campaigns to people in different cultures. This usage is

contrasted with internationalization which describes the activities of multinational companies dealing across borders in either financial instruments, commodities, or products that are extensively tailored to local markets.

- Many use the term "**corporate globalization**" or "**global corporation**" to highlight the impact of MNCs and the use of legal and financial means to circumvent local laws and standards, in order to leverage the labor and services of unequally developed regions against each other.

- **The spread of capitalism and market oriented economic system** from developed to developing nations.

And now a few words on globalization history.

Sometimes globalization history is declared as a history of increasing trade between nations based on stable institutions that allow firms and different nations to exchange goods with minimal friction. Thus, due to this point of view, globalization started centuries ago, just the time when overseas trade had begun and first steps had been taken to liberalize trade between nations.

The term "liberalization" means the combination of laissez-faire economic theory with the removal of barriers to the movement of goods. This led to specialization of nations in exports, and the pressure to end protective tariffs and other barriers to trade. The period of the gold standard and liberalization of the 19th century is often called "The First Era of Globalization". Based on the Pax Britannica and the exchange of goods in currencies pegged to specie, this era grew along with industrialization.

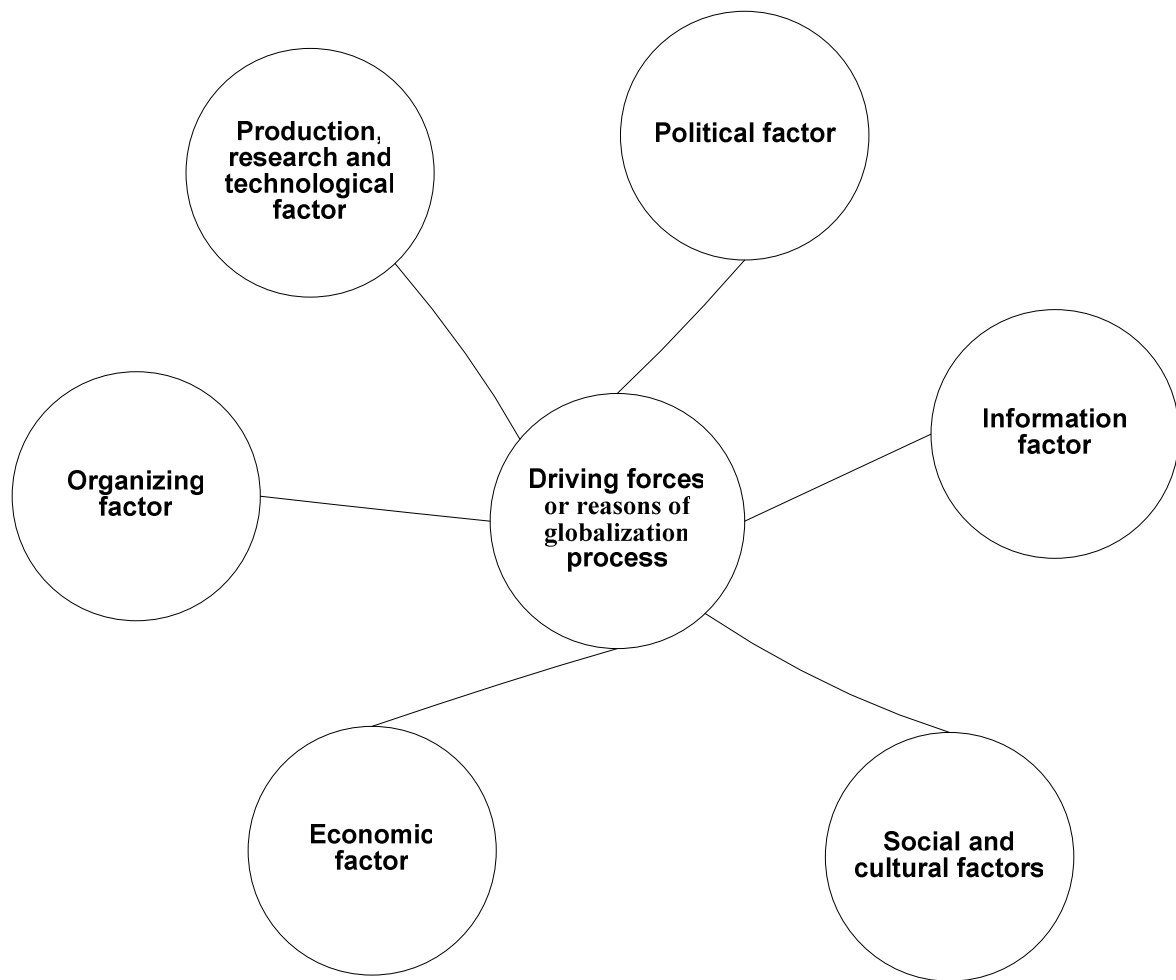
The "First Era of Globalization" has broken down in stages beginning with the World War I, and then collapsed with the crisis of the gold standard in the late 1911 and early 1930s's. Countries that engaged in that era of globalization prospered, and goods, capital and labour flowed remarkably freely between nations.

Globalization in the era since World War II has been driven by Trade Negotiation Rounds, originally under the auspices of GATT, which led to a series of agreements to remove restrictions on "free trade". The Uruguay Round led to a treaty to create the World Trade Organization to mediate trade disputes. Other bilateral trade agreements, including Europe's Maastricht Treaty and the North American Free Trade Agreement, have also been signed aimed at reducing tariffs and barriers to trade. And nowadays the WTO is a main subject of globalization.

The most important steps on the way of globalization had been taken in 1980 – 1990s. During this period there were so many events of global importance, that it's really hard to overestimate them. What events are we talking about? Here they are, as follows: "perestroika" in the USSR, destruction of Berlin's wall and Germany integration, the USSR disintegration etc. Maastricht Treaty of 1992 formed Euro Union I its current form. The participation in EU broadened from 15 countries in 1992 to 27 in 2007. Therefore, globalization can be determined as a highly controversial process, combining both disintegration and integration.

It is useful to distinguish economic, political, and cultural aspects of globalization, although all three aspects are closely connected. The other key aspect of globalization is changes in technology, particularly in transport and communications, which are creating a "global village"¹. Thus, economists (M. D. Intriligator, I.G. Vladimirova etc.) distinguish several **driving forces or reasons of globalization process in world economy:**

¹ The term "global village" has been introduced by Herbert Marshall McLuhan. Due to H.M. McLuhan, global village is modern society as a whole in the way it is reproduced by electrical means of communication, such as television, radio, cinema, telecommunications etc. Using all these means every day people interact with each other and behave themselves as if they were living in one village in the immediate vicinity.



Picture 5. Driving forces or reasons of globalization process

1. Production, research and technological factor. This factor includes:

- sharp increase in scales of production;
- transition to the new technological way of production, to high, scientifically based technologies;
- completely new generation of means of transportation and communication and their unification. Nowadays information transmission is realized practically at once, without any delay. Reports on economic possibilities and deals are quickly sent all over the world. It is required several days and even weeks for goods and some types of services to get from one place to another, so far, information is sent immediately. If essential change on the market happens in any small corner of the world, it is available to know about it practically at once in all other parts. It is a particular characteristic of the stock, currency and goods markets, as well as for scientific

researches and their use. Consequently, the distance between the partners is not a decisive obstacle for their production cooperation any more;

➤ also we should pay particular attention to quick spread of knowledge as a result of scientific or other type of intellectual exchange (process known as “transfer of technology”); and

➤ sharp transport and telecommunication costs reduction caused by development of new technology, significant reduction of expenses on processing, keeping and using information. And all that relieves the global integration of national markets. For instance, cost of three-minute talk between London and New York fell from 300 dollars in 1930 to 1 dollar in 1998 (in current prices), cost of computer processing of the information unit shortened annually on 30 % for the last 20 years (from 1975)¹.

2. Organizing factor. Here we should single out:

➤ entrance of the nongovernmental agencies on multinational or worldwide-level. Such international organizations as UN, IMF, World Bank, WTO etc. started to play new global role;

➤ transnational, multinational companies and other organizations, both private and state, converted into main acting objects of global economy².

3. Economic factor:

➤ Its main indication is liberalization of trade of goods and services, markets of capital and other forms of economic liberalization, which resulted in the restriction of protectionism policy and made world trade freer and more open (if in 1947 average level of rates of import customs duties was 50 — 60 % of the initial product price, in the beginning of 1990s it was lessened to 9.6 %, but hereinafter the World Trade Organization expects to make it less than 3 %). Thus, barriers to international trade have been considerably lowered since World War II through international agreements such as GATT. Particular initiatives carried out as a result of GATT and the WTO

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Ibid.

have included: promotion of free trade, reduction or elimination of tariffs; construction of free trade zones, reduce of transportation costs, especially from development of containerization for ocean shipping, reduction or elimination of capital controls;

➤ Also we should point out unprecedented concentration and centralization of capital, great growth of production, financial and economic instruments, sharp reduction of time for realization of interexchange deals and development of global financial systems;

➤ Another important tendency is global unification and standardization. Standards on technology, ecology, activity of financial organizations, accounting and statistical reporting, united for all countries, are spread, as well as standards on education and culture, including copyright laws and patents. United criteria for macroeconomic policy are introduced by international economic organizations, unification of requirements to tax, regional, agricultural, antimonopoly and employment policy¹.

4. Information factor:

➤ total changes of means of business communication, production, research, economic, financial and information exchange were the main feature of the last decade of 20th century. Development of new system of information reception, transmission and processing allows to create global networks joining together financial and goods markets, as well as markets of know-how and professional services. Information service is directly connected with the break-through in electronics, with creation of e-mail and Internet (in 1991);

➤ systems, allowing to control from one centre enterprises located in different countries, and creating possibility of operative, timely and efficient decision of production, research and commercial problems not worse, than inside each country itself, have been shaped. Real-time information exchange signifies real revolution in

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

management and marketing, in control of financial and investment flows, and as a result new forms of products sales appear (for instance, electronic trade). Computerization, systems of electronic accounts and plastic cards, satellite and fiber optic connection allow to move financial information practically instantly, conclude deals, and transfer resources from one account to another regardless of distance and state borders. Thus, we can talk about development of a global telecommunications infrastructure and greater transborder data flow¹.

And here words of professor Michael D. Intriligator are extremely crucial: “Electronic mail, the Internet, and the World Wide Web are some of the manifestations of this new technology, where today's \$2,000 laptop computer is many times more powerful than a \$10 million mainframe computer of a generation ago”².

5. Political factor:

- weakening firmness of state borders provides liberty of people, goods and services, capital movement;
- the end of the “cool” war made it possible to get over the political discord between the East and the West³.

6. Social and cultural factors. Here we are talking about:

- weakening of role of habits and traditions, social relationships and customs, getting over national insufficiency which leads to raise of transportability of people in territorial, spiritual and psychological relations, promotes international migration;
- formation or development of a set of universal values. Global united reflection in estimation of market economy and system of free trade. It means that recent contradictions between market economy of the West and social economy of the East changed into practically full unity in attitude towards market oriented system;

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Intriligator, M. D. Globalization of the World Economy: Potential Benefits and Costs and a Net Assessment / Michael D. Intriligator // Milken Institute Policy Brief, February 2003.

³ Ibid.

- spreading of multiculturalism, and better individual access to cultural diversity;
 - greater international cultural exchange;
 - tendency towards shaping global “uniform” mass media, art, pop-culture.
- English becomes the international language of communication, relieving intercultural contacts, trainings and study and mutual understanding;
- development of remote education;
 - liberalization of labor resources which leads to weakening control of national states and governments over reproduction of “human capital”.
 - greater international travel and tourism.
 - spread of local foods such as Chinese or Japanese food, pizza, Indian food etc. to other countries¹.

Some economists (I. G. Vladimirova etc.) declare that in prospect globalization will lead to:

- reinforcement of integration in different parts and regions of the world;
- greater openness of economic systems of states, which at present have not yet completely finished liberalization of their economic activity;
- free access to all participants to any markets;
- unification of rights and rules of realization of trade and financial operations;
- unification of regulations and checks of the markets;
- standardization of requirements to capital movement, investment processes and worldwide payment-accounting system².

Global processes are enough controversial, it means that they can have both positive and negative influence upon economy involved in globalization of the world.

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Ibid.

As A. Philippov writes in afterword to Russian translation of U. Beck's "Was ist Globalisierung?: Irrtümer des Globalismus? Antworten auf Globalisierung"¹ that during last 15 years attitude towards globalization has changed. From the very beginning, when prospects of the new united world had been attractive enough, it was popular to underline positive aspects of globalization. Thus, it has been admitted that globalization means progress, not only social but scientific, as well².

But as the time passed, basic attention concentrated on global problems, becoming more and more crucial.

It is difficult to revalue the positive importance of globalization: the possibilities of mankind are immeasurably multiplied, all sides of human activity are taken into account, and all conditions for harmonization are made. Global world economy creates the serious base for solving general problems of the mankind.

Thus, let's start with pro-globalization or globalism.

Supporters of democratic globalization consider that the first phase of globalization, which was market-oriented, should be completed by a phase of building global political institutions representing the will of world citizens.

Supporters of free trade point out that free trade leads to a more efficient allocation of resources, with all countries involved in the trade benefiting from low prices, higher employment and output.

Libertarians say higher degrees of political and economic freedom produce higher levels of material wealth.

Advocates of globalization say that **statistics strongly support globalization:**

¹ Бек, У. Что такое глобализация?: Ошибки глобализма - ответы на глобализацию / У. Бек / Пер. с нем. А. Григорьева, В. Седелника; Общ. ред. и послесл. А. Филиппова. - М.: Прогресс-Традиция, 2001. - 304 с. - Пер. изд.: Beck U. Was ist Globalisierung?: Irrtümer des Globalismus? Antworten auf Globalisierung. - Frankfurt a.M., 1997.

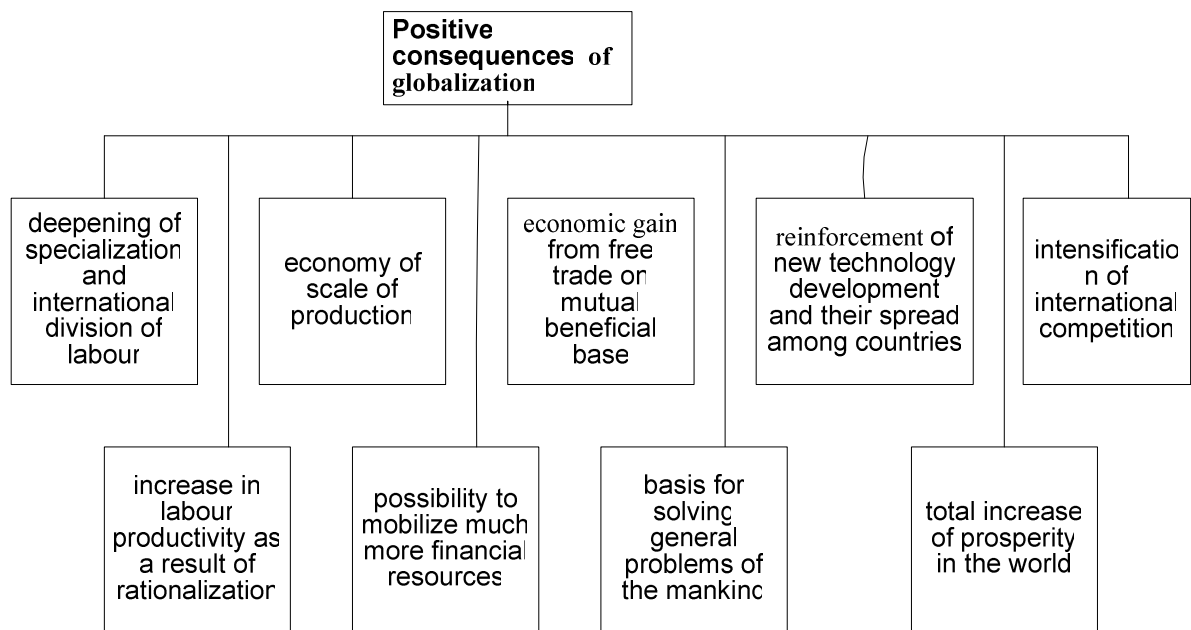
² Ibid.

- The percentage of people in developing countries living below US\$1 per day has halved in only 20 years.
- Life expectancy has almost doubled in the developing world since WWII and is starting to close the gap to the developed world where the improvement has been smaller. Child mortality has decreased in every developing region of the world. Income inequality for the world as a whole is diminishing¹.
- Due to some pro-globalists statements, democracy has increased dramatically from almost no nation with universal suffrage in 1900 to 62.5% of all nations in 2000².
- Between 1950 and 1999, global literacy increased from 52% to 81%.
- There are similar trends for electricity, cars, radios, and phones per capita.

As positive consequences (the advantages) of global processes it is possible to name following:

¹ Talking about diminishing of income inequality, it should be pointed out that in general the gap in income per capita between developed and developing countries has increased.

² Here it would be interesting to give an opinion of Russian analytics S. Kara-Murza. In article "Philosophy of Globalization", published in September 2001 in "Russia" newspaper, he stated that the important change in global world philosophy was democracy denial. As S. Kara-Murza wrote, "new ideal is the world governed by charity dictatorship of technocratic elite".



Picture 6. Positive consequences of globalization

⇒ Globalization resulted in deepening of specialization and international division of labour. Under its conditions resources are distributed more effectively and it eventually promotes increase of average cost of living and expansion of life prospects of population (due to reduce of people's expenses);

⇒ Important advantage of global processes is an economy of scale of production which can potentially lead to reduction of costs and prices and, consequently, to sustainable economic growth;

⇒ Advantages of globalization are also connected with economic gain from free trade on mutual beneficial base, satisfying all sides;

⇒ Globalization, intensifying competition, reinforces the further development of new technology and spreads them among countries. Under its conditions a rate of growth of direct investments exceeds the rate of growth of world trade which is the most important factor in transfer of industrial technologies, shaping the transnational companies, influencing the national economies. Advantages of globalization can be defined by the economic gains from use of leading research, technological and qualification experience of industrial countries in other countries; in this case

introduction of new decision occurs at short period and under comparatively smaller expenses;

⇒ Globalization results in intensification of international competition. It is said that occasionally globalization leads to fair competition. But as a matter of fact it should be talked about new competitive spheres and about fierce competition on traditional markets, which separate state or corporation cannot control. After all unlimited in actions strong external rivals join internal rivals. First of all, global processes in the world economy are profitable for consumers, because competition lets them make their own choice and cuts prices;

⇒ Globalization can bring about increase in labour productivity as a result of rationalization of production on global level and spread of leading technologies, as well as competitive pressure in favour of unceasing introduction of innovation in global world;

⇒ Globalization gives the countries possibility to mobilize much more financial resources because investors broaden their horizons and get freer access to the new markets;

⇒ Globalization creates serious basis for solving general problems of the mankind, first of all, ecological, and it becomes possible due to integrated efforts of world community members, consolidation of resources, co-ordination of actions in different spheres¹;

⇒ Many specialists hope that finally globalization will result in total increase of prosperity in the world.

If we want our survey to be complete, we should focus our attention on **anti-globalization**.

Various aspects of globalization are seen as harmful by public-interest activists as well as strong state nationalists. Critics claim that the results of globalization have not been what was predicted when the attempt to increase free trade began, and that many

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

institutions involved in the system of globalization have not taken the interests of poorer nations, the working class and the environment into account.

Fair trade theorists claim that unrestricted free trade benefits those with more financial leverage (i.e. the rich) at the expense of the poor.

Financial genius J. Attali writes: “In future new world order there will be “winners” and “losers”. And, of course, the number of losers will exceed number of winners. They will be striving to get the chance for worth-while life, but there is every likelihood that they won’t get such a chance”¹.

Many activists see globalization as the promotion of a corporatist agenda, which is intent on constricting the freedoms of individuals in the name of profit.

Now we should try to generalize the negative consequences, potential problems and dangers of globalization.

Global processes in the world economy are perceived and valued in different ways. And they are treated differently not only by scientists, but also by simple inhabitants of different countries. Global processes are tended to be greeted in industrial countries and cause the serious fears in the developing world. It is connected with the fact that advantages of globalization are distributed unequally. So one of the questions, causing debates, is: who turns out to win greater advantage from globalization?

First of all, industrial countries are taking part in current global processes, and only at second, the developing countries are getting into. Globalization consolidates the positions of the first group of countries, gives them additional advantages. At the same time, development of global processes within the framework of modern international division of labour threatens to freeze the present position of less

¹ Кара-Мурза, С. Философия глобализации / Сергей Кара-Мурза // Россия. – 2001, сентябрь.

developed countries or so called “world periphery”, which become rather objects than subjects of globalization¹.

Thus, the level of positive influence of global processes on the economy of separate countries depends on the place, which they occupy in world economy, practically rich industrial countries or individuals receive greater part of advantages.

Uneven distribution of economic goods from globalization generates the threat of conflicts on regional, national and international levels. Equalization of income levels does not occur, moreover, we should admit their polarization. In this process, quickly developing countries join the group of reach state, and poor countries receive lag far more behind from them. Globalization brings about the new model of the world. 80 % of all resources are controlled by so-called “golden billiard”, which covers only one fifth part of planet population (including USA and countries of Western Europe that receive 70 % of world resources)². S. Kara-Murza called this “golden billiard” “supranational race with different morals and rules”³. Rich industrialized countries (20 %) manage 84.7 % of world GDP; 84.2 % of world trade and 85.5 % of savings on internal accounts belong to their people. Gap between the richest and poorest countries more then doubled since 1960, and it statistically confirms insolvency of any promises of fairness in rendering help to developing countries. Industrial countries use openness and globalization in their own interests and try to fix current status quo. The USA desire to intensify the one-polarity of world causes great misgivings. No wonder that in Arabic world, for instance, globalization is associated with “Americanization” of world system and “neo colonialism”. Interconnection, which was the main characteristic of the world development in the beginning and in

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

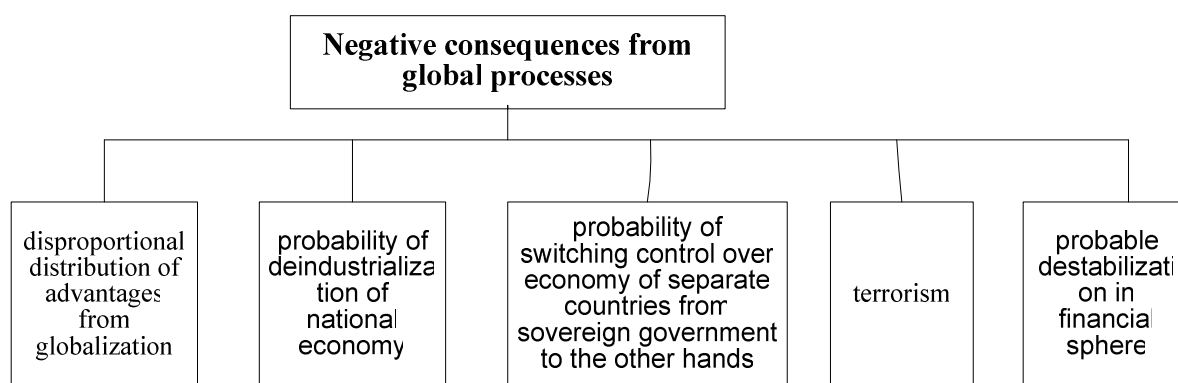
² Ibid.

³ Кара-Мурза, С. Философия глобализации / Сергей Кара-Мурза // Россия. – 2001, сентябрь.

the middle of 20th century, is replaced by unilateral dependency of “third world” from “first”¹.

Taking into account the unevenness of distribution of global advantages, it is certain that negative consequences of global processes in concrete country will greatly depend on the place, which this country occupies in world economy. Up to the point we should single out three groups of threats, dangers and potential problems, appearing on modern stage of development of internationalizing economic activity, depending on the economic level of the country. First of all, we will select the dangers of globalization, existing for all countries, then that, which potentially can appear in less developed ones, and, finally, in industrial countries; and in conclusion we shall point out the most significant negative consequences of global processes².

It seems possible to name following problems, potentially capable to cause **negative consequences from global processes all over the world**:



Picture 7. Negative consequences from global processes all over the world

- disproportional distribution of advantages from globalization among separate branches of national economy;
- probability of deindustrialization of national economy;
- probability of switching control over economy of separate countries from sovereign government to the other hands, including stronger states, transnational and

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Ibid.

multinational corporations or international organizations. Erosion of national sovereignty and national borders through international agreements leading to organizations like the WTO and OPEC. Increase in the share of the world economy controlled by MNCs;

- probable destabilization in financial sphere, potential regional or global instability because of interconnection of national economies in global world. Local economic fluctuations or crises in one country can have regional or even global consequences;

- some argue that even terrorism has undergone globalization, with attacks in foreign countries that have no direct relation with the own country¹.

Less developed countries, referring to so called “world periphery”, can feel the most awful consequences from globalization. The biggest part of them, participating in internationalization as suppliers of resources and producers of labour-intensive commodities (and some of them, as the suppliers of details and components for modern complex technologies), turns out to be in all-round dependency from leading states and has smaller income, dependent on the world market situation. Globalization for such countries generates some other problems, including above-mentioned:

- increase of the technological lag from industrial countries;
- social-economic stratification rise (i.e. the destruction of the state society, process of disintegration of social groups, breaking up traditional relationships between people, loss by individuals objective belonging to one or another generality, loss of feeling of involvement to determined professional or ethnic group);
- impoverishment of the main part of population;
- reinforcement of dependency of less developed countries from stability and normal operation of the world system;

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

- transnational corporations' restriction of state ability to conduct national oriented economic policy;
- growth of the external debt, first of all, to international financial organizations, which prevents the further progress¹.

As it has already been mentioned, industrial countries have maximum advantage from participation in globalization, as they receive possibility to reduce the production costs and concentrate on the production of the most profitable high technology production, and to flip labour-intensive and technologically dirty production to the developing countries. But industrial countries can damage from global processes too, because globalization can enlarge unemployment, intensify instability of financial markets etc.

It seems that main social-political problems, potentially existing in industrial countries in connection with global processes, are following:

- growth of unemployment. It could be considered as a result of: a) first, introduction of new technology which brings about reduction of workers' places in industry and intensifies social tension; b) second, changes in the structure of production and movement of the mass production of labour-intensive commodities to the developing countries (because it is a hard shock for traditional branches of these countries, causing them to close a great deal of production); c) third, increased transportability of labour resources;
- transnational and multinational corporations quite often put their own interests over state's ones and as a result role of the national state, as well as government, weakens and part of functions goes to different international organizations and associations².

To sum up, the essential problem is the unevenness of distribution of globalization advantages not only for separate countries, but also for separate branches. Among

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Ibid.

threats many scientists name deindustrialization of economy, because global processes are associated with reduction of employment in processing branches both in Europe, and in the USA. Deindustrialization is a reason of origin of depressive regions and it intensifies the social stratification of society. As a matter of fact, share of processing branches in economy of industrial countries sharply falls, but we should take note of the fact that this reduction is overlaid by quick growth of services including financial sector. Deindustrialization is a normal phenomenon, generated by technological progress and economic development, and it is not due to globalization though it runs parallel to it¹.

Control transfer of the economy of separate countries from sovereign government to other hands, including stronger states, multinational or global corporations and international organizations, can be named as a serious negative consequence of globalization. Up to the point some scientists suppose that globalization is an attempt to undermine national sovereignty. Modern corporative capital practically controls the political life of modern industrial countries. National-state formation forfeits the role of active agents in world community. To opinion of some economists the international processes in economy and the globalization of financial market lead to “erasing” of state borders, as well as weakening state sovereignty in financial sphere².

Increasing global integration of the markets of capital threatens the economic politics of separate countries, because foreign funds in the manner of direct or portfolio investments present a certain threat for national economy, as they tend to disappear from the country as quickly, as appear.

One of the significant dangerous problems of globalization is potential global instability because of interconnection of national economies in global world. As a result local economic fluctuations or crises in one country can have regional or even

¹ Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Ibid.

global consequences. Such possibility is not only theoretical, but is wholly real enough, and the financial crisis in Asia, started in summer 1997 in Thailand and then switched to other countries in South-East Asia, reaching South Korea and eventually felt all around the world, confirms it¹.

Negative aspects of globalization are connected with potential conflicts, though they could possibly be softened by the development of global cooperation through policy agreements or by organization of new international institutes.

Well, what does eventually globalization carry for the countries — threats or new possibilities? It is practically impossible to give a single simple answer to this question, after all the balance of positive and negative consequences constantly changes. However, reality is based on the fact that globalization presents both objective and absolutely inevitable phenomenon of the modern world, which could possibly be retarded by the means of national economic politics (as occurs in several cases), but it is impossible to stop or “conceal” it, because it is an imperative requirement of the modern society and research progress².

And here we again should agree with professor Michael D. Intriligator that “challenge of globalization will require truly cooperative efforts of the great nations, especially among the new great powers of the European Union, the United States, Canada, Japan, Russia, China, India, Brazil, and others. Their joint activity in establishing new political arrangements and institutions could go a long way to solving global problems, including the economic and other challenges stemming from globalization”³. Only such combined interaction could provide essential foundation for solving global problems.

¹ Intriligator, M. D. Globalization of the World Economy: Potential Benefits and Costs and a Net Assessment / Michael D. Intriligator // Milken Institute Policy Brief, February 2003; Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.

² Долгов, С.И. Глобализация экономики: новое слово или новое явление? / С.И. Долгов. — М.: ОАО «Изд-во «Экономика», 1998. - С. 20.

³ Intriligator, M. D. Globalization of the World Economy: Potential Benefits and Costs and a Net Assessment / Michael D. Intriligator // Milken Institute Policy Brief, February 2003.

And, in conclusion we have to say several words about some of the most urgent problems of global world: problem of our ecosystem, problem of its destruction, of global warming. All these ecological problems have been caused by production and technological development. Thus, mankind has always been destroying itself! That's why bases of sustainable development taken in 1992 by UN are extremely important for all nations of the world.

BIBLIOGRAPHY

1. Владимирова, И.Г. Глобализация мировой экономики: проблемы и последствия / И.Г. Владимирова // Менеджмент в России и за рубежом. - 2001. - № 3.
2. Долгов, С.И. Глобализация экономики: новое слово или новое явление? / С.И. Долгов. — М.: ОАО «Изд-во «Экономика», 1998.
3. Intriligator, M. D. Globalization of the World Economy: Potential Benefits and Costs and a Net Assessment / Michael D. Intriligator // Milken Institute Policy Brief, February 2003.
4. Ohmae, K. The Bordless – Power and the Strategy in the Interlinked Economy / K. Ohmae. – Fontana, 1990.
5. Porter, M.E. The Competitive Advantage of Nations / M.E. Porter. - N.Y.: The Free Press, 1990.
6. Porter, M.E. Competitive Strategy: Techniques for Analyzing Industries and Competitors / M.E. Porter. - N.Y.: The Free Press, 1980.
7. Falk, R. World Orders, Old and New / R. Falk // Current History. - January 1999. - P. 31 - 33.
8. Waltz, K. Globalization and American Power / K. Waltz // The National Interest. - Spring 2000. - P. 50.