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## **АЛЬТЕРНАТИВНА КОМПОНЕНТА ГЛОБАЛІЗАЦІЇ**

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## **ALTERNATIVE COMPONENT OF GLOBALIZATION**

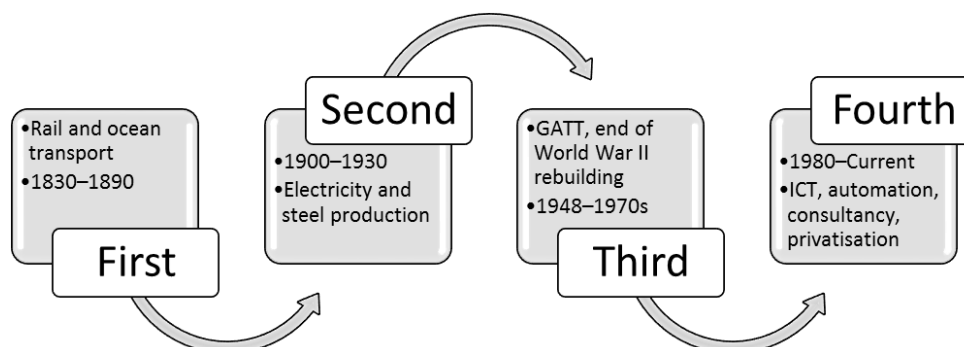
### ***Annotation***

*The understanding of globalization is composed due to main its four phases. The driving forces of globalization is provided into observation of George Yip's proposed model. Creation FDI's positive employment impacts is recognize through job creation within suppliers and retailers and a tertiary employment effect through creating additional incomes and growing aggregate demand. The achievement of poverty reduction is outlined as a way to social transformation of globalization beyond the employment, working dimensions, income and social protection.*

### ***Keywords***

*Globalization drivers, KOF index, neoliberal model, phases of globalization, poverty gap, social globalization.*

Globalization be identified to as a phenomenon, a process or a concept. Globalization has evolved due to the tendency for growing international trade across state borders and conduct of commercial activities in more than one country because of the changes in the many aspects of the international business environment. Many analysts take the understanding that globalization started some way back in the XIX century. It is possible to classify 4 phases of globalization (see figure 1). The first phase (boom is about 1880) was due to developments in transportation and automation that allowed reliable long-distance trade. Second phase reached its boom in the first decades of the XX century, when lands under the control of European colonial powers were seen as places to create multinational subsidiaries. The third phase was grounded on the decreasing of tariffs and the resultant increase in international trade after the end of World War II. As individuals became richer in the developed economies there was massively increased demand for consumer goods [1].



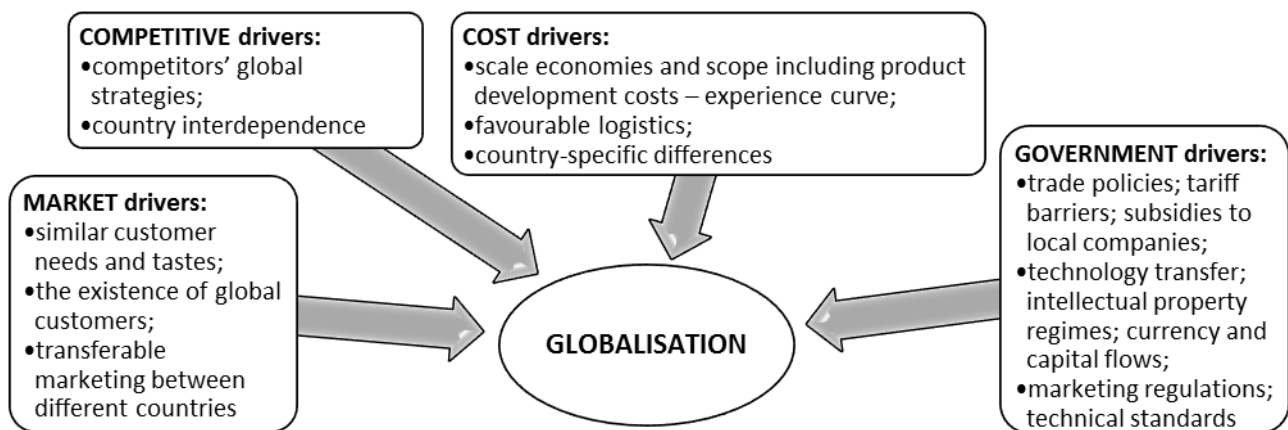
**Fig. 1. Four phases of globalization.**

Source: [compiled by the author: 1].

The fourth phase of globalization has depended on two of the changes. These are, first, changes in technology, such as the widespread accessibility of the personal computer connected to the internet, the growing use of mobile communications and the progress of robotics both for

tracking components and finished goods and in the automation of production. The second change is in political relations and economic policies that allowed companies and consumers to take gain of these technological inventions. There has been much convergence of global economic thinking, with many countries moving towards an acceptance of liberal, free-market ideas. Social tendencies changed, too, as consumers became less concerned with products' national identities [2].

George Yip's proposed in 2003 the model that provide additional understanding into the forces driving globalization. It helps us to understand the pressure that industries are under to globalize: see figure 2. There are 4 main drivers: market drivers, cost drivers, government drivers and competitive drivers. Market drivers are customer needs and tastes that become more common, the existence of global customers and transferable marketing between different countries. Costs drivers are scale economies, advantageous logistics, country specific differences. Government drivers include eliminate all tariff and non-tariff barriers, liberalize trade policies, subsidies outlawed, ownership restrictions and technical standards compatible for all industries. Competitive drivers are competitors' global strategies and state interdependence [2].



**Fig. 2. Globalization drivers.**

Source: [compiled by the author: 3].

Competent markets should be what each economy attempts for. The sign of competent market is where there is an equilibrium between what buyers are willing to pay for a good or service and what sellers are willing to sell for a good or service. If you have many producers competing for a hold of the economy, that's a good for customers, as the quality of goods and services increase as a result. When businesses started to venture across international borders, was introduce a new standard into the global marketplace. Customers then had more choices to select from [3].

If economy depends largely on another state's economy, it is hard to imagine either one of the state's aggressive the other. Although hundreds of thousands of people around the world now have jobs, have started their own businesses and can provide comfort for their families, the flip side to this is that many people contend that their standard of living has gone down because of globalization [4].

According to the theory of the comparative advantages, trade and FDI should take advantage of the abundance of labor in developing countries and cause a tendency of specialization in domestic “labor-intensive” activities and contain growth in local employment. When the developing country opens its borders to foreign capital, FDIs create positive employment impacts directly and indirectly through job creation within suppliers and retailers and a tertiary employment effect through creating additional incomes and growing aggregate demand. All these positive employment effects of FDI have to be compared with the possible crowding-out of non-competitive and previously sheltered domestic firms; with the possible labor-saving effects of the new technologies taken by multinational companies; and with the possible decrease in employment related with FDI operating through Mergers and Acquisitions [5, p. 6].

The Stolper-Samuelson theorem expects that trade and FDI should take advantage of the abundance of low-skilled labor in developing countries and imply growing demand for domestic low skilled labor and hence decreasing within-country wage dispersion and income inequality. If FDI is a vehicle of new technologies, there are different channels through which skilled-biased innovation spill over from foreign to local firms:

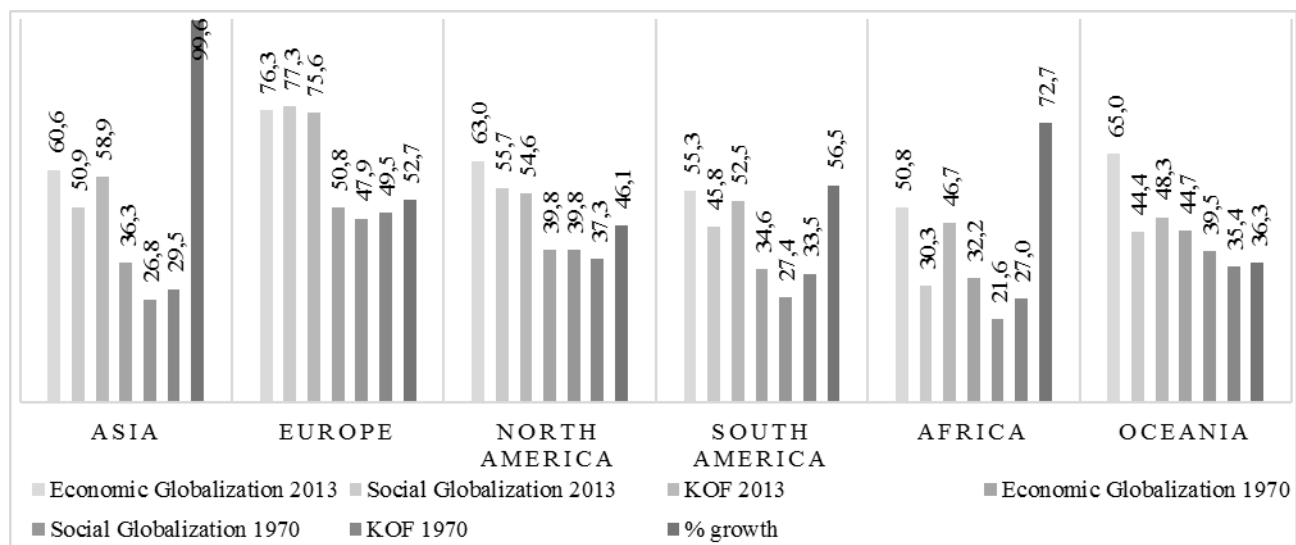
- the demonstration effect (local firms adopt new technologies through imitation and reverse engineering);
- the vertical spillovers (backward and forward linkages lead to intra and inter-industry technology upgrading);
- labor turnover and spin-offs (workers trained in foreign owned firms may transfer important know-how to local firms by switching employers or by starting up their own business);
- the competition effect (technology upgrading in local firms becomes necessary because of competitive pressures from foreign firms) [5, p. 10].

More than other imports, import of capital goods (technological innovations) is important because of the role it plays in contributing to capital promotion and to economic growth of developing countries. Developed countries transfer own technologies to the developing countries, and transferred technologies are relatively skill-intensive, i.e. more skill-intensive than those in use domestically before trade and FDI liberalization.

As far as poverty reduction is concerned, trade and FDI are supposed to be helpful to a developing countries economic growth and given the projected objectivity in terms of their effect on income distribution – globalization should be a way to achieve poverty reduction. The economic growth is not only instrument through which globalization can affect poverty levels. Globalization deeply influences labor productivity; the demand for skills; the need for macroeconomic stability;

relative prices; relative competitiveness of domestic firms, government revenues and expenditures [5, p. 13].

The KOF Index of Globalization measures the economic, social and political dimensions of globalisation, by taking into account 23 variables (see figure 3). The gradual recovery of the global economy continued. In the USA, signs indicated an imminent normalisation of monetary policy. However, the Fed's announcement of reduced bond purchases led to major capital outflows and currency devaluations in the emerging markets. Although the Eurozone finally came out of recession, massive public debt continued to place a strain on the economies in the crisis countries. The Middle East was dominated by the aftermath of the Arab Spring. Syria was wrecked by civil war and Egypt saw the military get back into power [6, p 1].



**Fig. 3. Dynamics of KOF<sup>1</sup> index by world regions.**

Source: [compiled by the author: 7].

The economic dimension of globalization refers to the extent of cross-border trade, investment and revenue flows in relation to GDP, as well as the impact of trade and capital transaction restrictions. The financial crisis of 2008 not only put a stop to the extensive economic integration that had lasted since the 1990s but even reversed it to some extent. The integration of international trade and capital flows largely stagnated. At the same time, the trend towards restrictions on trade and capital transactions imposed in the aftermath of the financial crisis was reversed. The increase in economic globalization was largely due to a cutback of non-tariff trade barriers [6, p 2].

The social dimension of globalization refers to the impact of globalization on the life and work of people, families and societies. There are more social aspects for globalization beyond the employment, working dimensions, income, social protection etc. The increased political and

<sup>1</sup> The KOF Index of Globalization is an index of the degree of globalization of 122 countries. The index is based on three principal criteria: economic, political and social.

economic movement of globalization has left the key feature of society (people). The idea of social justice aims at generating a society based on the idea of equality and solidarity, the values of human rights, the dignity of every human being [8. p. 9].

If to talk about the gender aspect with position to globalization, we can see increased participation of women in all fields of life. But indications show that women still work more as a casual labor. Though globalization has extended women's access to employment it has not done much significant to reduce the gender inequality. Also, due to the influence of media and other socio-political- cultural aspects, the crimes against women have increased significantly. Another social aspect is that globalization has deeply influenced the social structure of different societies. Every society used to have its own unique culture with respect to the language, social norms, morality, civic sense etc. with the advent of media which has this special capability to influence millions at the same time has challenged the social institutions of the society mainly family. A particular society following their style of living without being much influenced by the western culture is now seen as 'uncivilized' which was a very creatively designed propaganda of the west to inculcate their culture into the rest of the world and there by dominating the globe [8. p. 10].

The current model of the world economy must absorb all the positive qualities inherent in globalization and at the same time propose the solutions of current problems and gaps. Alterglobal model should be the implementation of new principles of global system that will be based on the principles of social partnership, social protection. the process of alterglobalization aimed the protection of identity, implementation of convergence model and relations with the opponent, realization the alternative model of society. The process should include reconstruction of global economic institutions that are associated with the economic asymmetry and social injustice.

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