THE IMPACT OF CURRENT GLOBAL CHANGES ON REGIONAL AND LOCAL ECONOMIES

MĂRGĂRITA ILINCA ANDRADA
PHD. STUDENT , UNIVERSITATEA LUCIAN BLAGA DIN SIBIU,
FACULTATEA DE ȘTIINȚE ECONOMICE
e-mail: ilinca.margarita@yahoo.com

Abstract
We are currently witnessing an increasingly accentuated dynamic of the globalization of the economy, an aspect that mainly generates the reduction of the importance of state borders, especially when we talk about trade or transfers of any kind. So, we identify an increasingly globalized economy, even if the specific institutions for a global policy are still missing. The benefits but also the costs of globalization are indisputable, they are often asymmetrically distributed, because they put poor people in poor countries at a disadvantage with serious consequences on the quality of life.

Keywords: *globalization, economic growth, global policies, disruptive factors.*

JEL Classification**:** *F60, F63.*

1. Introduction

We are presently examining various perspectives and implications of globalization in its multiple dimensions, underscoring the importance of understanding aspects of the contemporary global landscape. Notably, global institutions have struggled to address the diverse aspirations of all stakeholders. While globalization pervades economic, technological, social, political, and environmental spheres, it is evident that no universally accepted solution exists for the myriad challenges facing the planet and the lives of people worldwide.

The World Trade Organization advocates that globalization should be viewed as an extension of the rule of law at the international level and as a counterbalance to unilateralism. Consequently, global economic liberalism should be managed under the guidance of specialized institutions that provide global public goods, supported by international financing mechanisms (Griffin, 2003; Hadi and Flayyih, 2024).

This approach implies a reduction in the sovereign status of countries and necessitates that global institutions remain democratic and accountable for various contextual situations and their performance to people worldwide. As Roopinder Oberoi and Jamie P. Halsall (2018) observed, "globalization remains a problematic situation. It is the culmination of interactive, co-evolutionary processes of multiple simultaneous technological, cultural, economic, social, and environmental movements that span every part of the spatio-temporal range imaginable" (Oberoi and Halsall, 2018).

2. Impacts of globalization on regional and local economies

There different viewpoints and implications of globalization in its many facets, emphasizing the need to recognize aspects of today's global reality. It is equally evident that global institutions have not succeeded in meeting all the diverse global aspirations. Despite globalization's pervasive impact on economic, technological, social, political, and environmental aspects of life, there is no universally accepted solution to the myriad challenges facing the planet and people everywhere.

Notably, significant changes have reshaped the global economic landscape, particularly since the 1980s. These transformations have notably influenced the evolution of global and regional economies, with substantial implications for fiscal systems. According to Tanzi (2005), key developments include:

a) The opening of economies and the growth of international trade. World trade has expanded at twice the rate of world GDP, rendering the global economy far more integrated than in the past.

b) Increased trade has spurred cross-border capital movements, facilitated by the removal of barriers to capital mobility and technological innovations like the Internet, which has accelerated communication. Consequently, there has been a substantial increase in capital flows, financing direct investments, portfolio investments, current account imbalances, and the currency needs of the tourism and travel industry.

c) The rising importance of multinational companies, both in financing direct investments and promoting trade between branches of the same company located in different countries. In fact, trade between related parties within the same multinational corporation constitutes the largest share of total world trade.

d) The increase in international activities has also led to higher per capita incomes, reduced transportation costs, and the promotion of individual mobility policies for both economic agents and consumers. However, these developments continue to challenge fiscal systems, creating complex situations for policymakers and stakeholders alike.

In this context, a country can currently act economically and financially from various perspectives, including foreign financial capital, real foreign capital in the form of foreign direct investment, foreign consumers, foreign workers, and wealthy foreigners, including retirees.

It is also crucial to acknowledge that the nature of globalization and global economic changes has been a dynamic subject of academic research over the past two decades. Economic globalization is inherently a geographical phenomenon, directly related to the transcendence and alteration of geographical scales and socio-spatial practices. Given its complex spatiality, economic globalization requires thorough explanation rather than being seen as a universal cause of empirically observable outcomes in globalization theory (Clapham, 2002; Suárez-Orozco, 2004).

The environmental dimension, often overlooked, has also faced profound changes in recent years. Key findings by Mahutga and Smith (2011) include:

a) The warming of the earth's surface, impacting water availability, land quality, food security, and biodiversity.

b) Over two million deaths annually due to outdoor and indoor air pollution.

c) An unprecedented enlargement of the ozone hole.

d) Declining availability of fresh water, with contaminated water being a leading cause of human disease and death.

e) Overexploited aquatic ecosystems, threatening food supplies and biodiversity.

f) The poorest populations are the most vulnerable to environmental changes.

Thus, it becomes increasingly pertinent to question the extent to which globalization, through the integration of world economies, the growth of trade, and international investments, affects environmental quality and policies aimed at mitigating environmental issues. While globalization has had both positive and negative environmental impacts, coherent and effective public policies are still necessary to ensure it contributes to resolving environmental problems. However, skepticism remains high regarding globalization's role in addressing current environmental challenges.

Additionally, the narrative that globalization is "flattening" the world and fostering economic dynamism, especially in the poorest regions, remains influential (Friedman, 2005). It is also clear that while globalization will not completely solve poverty, it is a critical element in the complex development process. Globalization is often seen as the transfer of technical systems, regulations, and concepts from rich to poor countries, masking several issues, including insufficient recognition of local circumstances, needs, and participation. These considerations often result in implementation problems and power inequities, directing the transfer primarily towards financial development rather than human, social, and environmental concerns. For instance, implementing advanced technologies in poor African countries is often irrelevant. From this perspective, globalization can be seen as a negative process, as many reforms fail or achieve limited success in regions with low economic and living standards. Raising the standard of living, improving well-being, and reducing unemployment are potential benefits of globalization, but only where conditions are favorable.

Despite its shortcomings, economic globalization is an irreversible process. Today, the world is increasingly interdependent and interconnected, driven by the expanding scope of cross-border trade in goods and services, international capital flows, and above all, technological advancements, particularly in information and communication technology. The rapid globalization of economies in recent years has been spurred by scientific and technological advancements that have reduced transportation and communication costs. For example, the cost of shipping is now only half of what it was in 1930, air transport costs are one-sixth, and telecommunications costs are 1%. The price level of computers in 1990 was only about 1/125 of what it was in 1960, and this level further decreased by about 80% in 1998. Such technological progress has significantly reduced the cost of international trade and investment, thereby driving global production dynamics. An illustrative example is Ford's Lyman machine, designed in Germany, with gears produced in Korea, a pump from the USA, and an engine from Australia. Thus, national borders and distances have become irrelevant for certain economic activities due to technological transfers inherent in globalization (Shangquan, 2000).

Nevertheless, the impact of globalization on regional inequality cannot be ignored. Each country comprises several regions with varying degrees of labor mobility, while international mobility is not universally applicable. Additionally, goods can be traded domestically and internationally at different costs. In this context, reduced trade and/or transport costs directly affect prices and wages. As trade barriers diminish, the benefits of globalization follow its costs (Behrens et al., 2007; Ezcurra and Rodríguez-Pose, 2013).

Economic inequality between countries can be illustrated by average gross domestic product per capita, purchasing power parity in international dollars, population size, urban population, openness to trade, foreign direct investment, and other indicators (Olivié and Gracia, 2002; Vogli et al., 2014).

Thus, the positive impact of per capita income as an indicator of a higher level of economic globalization is evident. Moreover, the dynamic relationships between trade, income, and the environment for developed and developing countries are crucial. Trade and income growth tend to improve the quality of life and the environment in developed countries while having detrimental effects in many developing countries. In developed countries, trade and income growth lead to environmental improvements, whereas, in most developing countries, the causality runs from the environment to trade and income (Gozgor et al., 2020; Baek et al., 2009).

From these observations, it is evident that globalization is a multidimensional concept, influencing all aspects of human life—economic, political, social, cultural, and environmental. Consequently, globalization is defined in various ways, but it is universally recognized as involving the integration of capital, investment, and labor markets with world markets. Analyzing the dimension of globalization is challenging and extensive, with several specific indicators necessary to generate concrete results regarding a country's internationalization status. These indicators include real capital flows, calculated as percentages of GDP and trade, foreign trade and investment shares, portfolio investments, income payments to foreign citizens, information flows, cultural proximity, telephone traffic, GDP percentages from transfers, and international tourism (Figure 1.1).

As can be seen, all of this presupposes a weakening of the sovereign status of countries but also the need to ensure that global institutions are democratic and accountable for any contextual situations and their performance to people around the world.

So, as Roopinder Oberoi and Jamie P. Halsall (2018) suggested, "globalization still remains a problematic situation. Globalization is the culmination of interactive, co-evolutionary processes of multiple simultaneous technological, cultural, economic, social and environmental movements that span every part of the spatio-temporal range imaginable" (Oberoi and Halsall, 2018).

We therefore identify different viewpoints and implications in multiple senses of globalization, which is why it is essential to identify aspects of today's global reality. It is equally true that global institutions have not been able to respond to all the global desires of all parties involved. Although globalization is visible in all aspects of economic, technological, social, political and environmental life, it can be said with certainty that there is no immediately recognized solution to all the problems that the planet and the lives of people everywhere have.

It should be noted, however, that in recent decades, especially after the 1980s, we have witnessed important changes in the global economic landscape. These changes have particularly influenced the evolution of the characteristics of the global and regional economy, also having great implications on the fiscal systems. According to Tarzi (2005), among the most important of these are:

a) opening economies and increasing international trade. World trade has grown at twice the rate of world GDP, making the world economy now much more integrated than it was in the past.

b) the increase in trade generated another phenomenon, namely, the increase in cross-border capital movements. This growth was generated by the removal of barriers in terms of capital mobility, but also by technological innovations, such as the Internet, which contributed to much faster communication. Therefore, we have witnessed a very large increase in capital flows, which now cross daily borders around the world, to finance direct investments, for portfolio investments, to cover current account imbalances but also to provide the currency needed in tourism and travel industry.

c) the increase in the importance of multinational companies, both from the point of view of financing direct investments but also from the point of view of promoting trade between the parts of the same company located in different countries. Moreover, trade between related parties of the same company located in different countries accounts for the largest share of total world trade.

d) the increase in international activities also generated an increase in per capita income as well as a decrease in transport costs, together with the promotion of individual mobility policies, both from the point of view of economic agents and from the point of view of consumers. On the other hand, the implications of these developments on the countries' fiscal systems continue to create difficult situations for both decision-makers and those directly involved.

So, in the above context, a country can currently act economically and or financially from multiple perspectives, respectively: foreign financial capital; real foreign capital in the form of foreign direct investment; foreign consumers; foreign workers; foreigners with high incomes, including pensioners.

Not to be neglected is the fact that the nature of globalization and global economic changes has been a subject of academic research in the last two decades in a very dynamic way, both quantitatively and qualitatively. This is because economic globalization is an inherently geographical phenomenon in direct relation with transcendence but also with the change of geographical scales and practices at the socio-spatial level. Given its complex spatiality, economic globalization is more a phenomenon in need of explanation than a universal cause of empirically observable outcomes in the so-called globalization theory (Clapham, 2002; Suárez-Orozco, 2004).

On the other hand, not to be neglected is the aspect related to the environment, which unfortunately is facing profound changes, in recent years a series of changes regarding the health of the environment, both at the ecosphere and and at the sectoral level. Some of the main findings, according to Mahutga and Smith (2011), relate to the following:

a) the earth's surface is warming, which affects water availability, land quality, food security and biodiversity;

b) more than two million people die every year due to outdoor and indoor air pollution;

c) the ozone hole is bigger than ever;

d) the availability of fresh water is decreasing, and contaminated water is the most common cause of human disease and death;

e) aquatic ecosystems are overexploited, endangering food supplies and biodiversity;

f) poor people are the most vulnerable to environmental changes.

Therefore, the question arises more and more about the extent to which globalization, through the integration of the economies of the countries of the world, the growth of trade and international investments, affects the quality of the environment but also the policies to mitigate environmental problems.

Currently, globalization has had both positive and negative impacts on the environment. However, coherent and effective public policies are still needed to ensure that globalization contributes to preventing and solving environmental problems. However, there is still a high degree of skepticism regarding the role of globalization as a determining factor in solving the environmental problems that the planet is currently facing.

In addition to these findings, we continue to see often highly popular and influential manifestations that claim that globalization is "flattening" the world and leading to economic dynamism, especially in the poorest regions (Friedman, 2005).

It is also undeniable that globalization will not solve the problem of poverty completely, but it is an essential element in the complex development process. Globalization is frequently seen as a transfer of technical systems, regulations and concepts used in rich countries to poor ones, which masks a number of problems, including insufficient recognition of the circumstances, needs and participation of indigenous countries. These considerations often result in a series of implementation problems as well as power inequities that end with an orientation of the transfer only towards financial development and less towards human, social and environmental issues. We can highlight in this regard the fact that the implementation of advanced technologies in poor countries in the African region is often irrelevant. From this perspective, yes, globalization is a negative process, as many reforms fail or have limited success in regions with limited economic and living standards. Increasing the standard of living, people's well-being, reducing unemployment, can be prerogatives of globalization, but only where the conditions allow.

With all its shortcomings, economic globalization is an irreversible process, it being undoubted that, today, the world is interdependent, interconnected, as a result of the growing scope of cross-border trade in goods and services, the flow of international capital and more than anything, technological , as a result of the spread of information and communication technology, in particular. In fact, the rapid globalization of the world's economies in recent years had as its starting point the rapid development of science and technologies.

Advances in science and technology have reduced the cost of transportation, and communications have made economic globalization possible. As a consequence, today the cost of shipping is only half of what it was in 1930, air transport is now 1/6, and the cost of telecommunications is 1%. The price level of computers in 1990 was only about 1/125 of what it was in 1960, and this level in 1998 was again reduced by about 80%. This dynamic of technological progress has greatly reduced the cost of international trade and investment, thus making possible the dynamics of global production. In this regard, we identify as an example Ford's Lyman machine, which is designed in Germany, the gear of which is produced in Korea, the pump in the USA, and the engine in Australia. So the concept of national borders and distance for certain economic activities is really non-existent, thanks to the transfer of technology, specific to globalization (Shangquan, 2000).

However, the fact that globalization also has an important impact on regional inequality between different countries in different regions of the world cannot be neglected. This is because each country consists of several regions between which the labor force is mobile, while there is no international mobility in all situations. Also, goods can be traded both domestically and internationally at positive but different costs. In this context, a decrease in trade and/or transport costs has a direct impact on prices and wages. At the same time, as trade barriers fall, the benefits of globalization come after its costs (Behrens et al., 2007; Ezcurra and Rodríguez-Pose, 2013).

Economic inequality between countries can be highlighted by the average gross domestic product per capita, purchasing power parity in international dollars, as well as by population size, urban population, openness to trade and foreign direct investment, etc. (Olivié and Gracia, 2002 ; Vogli et al., 2014).

We thus identify the positive impact of income per capita, as an index of a higher level of economic globalization. Also, the dynamic relationships between trade, income and the environment for developed and developing countries are equally important, as trade and income growth tend to increase the quality of life and the environment in developed countries, while they have detrimental effects in most developing countries. It is also found that, for developed countries, the causal relationship seems to run from trade and income to the environment, and for most developing countries, it is found that the causality is from the environment to trade and income (Gozgor and et al., 2020; Baek et al., 2009).

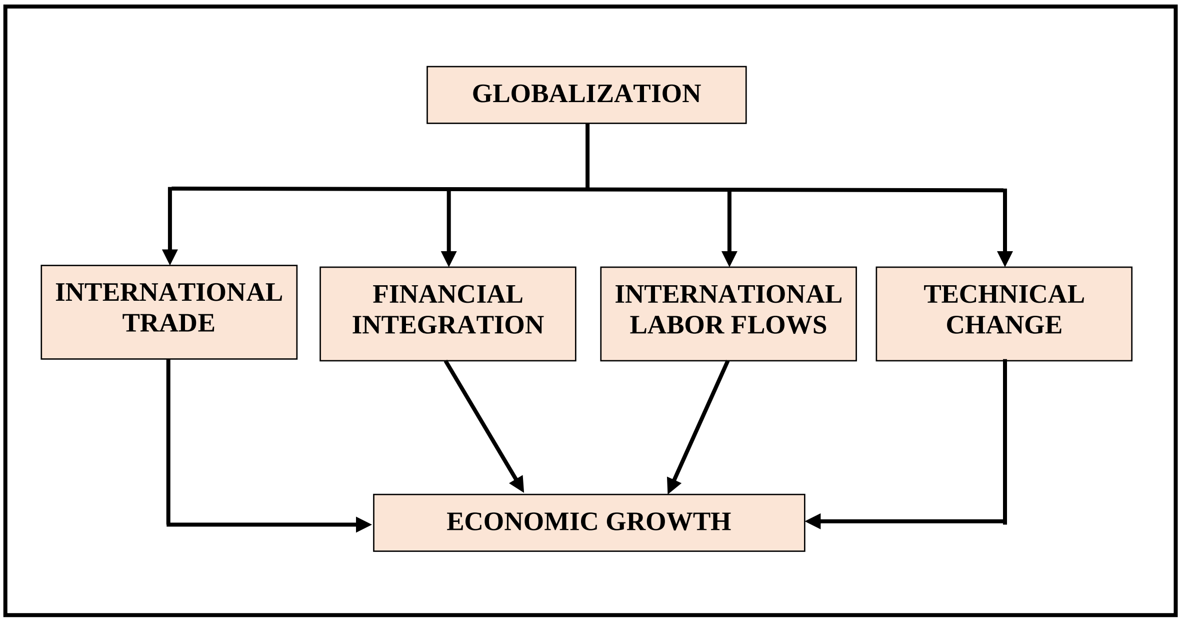

Figure 1.1 The relationship between globalization and economic growth
Source: Adapted from Husain (2000)

Starting from the previous observations we can conclude that globalization is a multidimensional concept, because it covers a lot of fields, it influences all aspects of human life, economic, political, social, cultural and environmental. For these reasons, globalization is defined in different ways, but it is unanimously recognized that it primarily involves the integration of capital, investment and labor markets with world markets. Therefore, the dimension of globalization is difficult and extensive to analyze, there are a number of specific indicators that can generate a concrete result regarding the status of a country from the perspective of its internationalization. Therefore, it can be highlighted in this sense: real capital flows, calculated as percentages of GDP and trade, investments in foreign trade and shares, portfolio investments, payment of income to foreign citizens, information flows and cultural proximity, telephone traffic, percentages in GDP from transfers, or international tourism (Figure 1.1).

Similarly, the constraints of globalization can be assessed by examining hidden import barriers, the average tariff on various public services, and the percentages of current revenues derived from taxes on international trade and the capital account. Specific examples include measuring information flows through internet usage per 1,000 people, the number of televisions per 1,000 people, and cultural proximity by the number of McDonald's restaurants and Ikea stores per capita (Kilic, 2015).

In this context, it is also noteworthy that economic and political globalization in developed countries has historically stimulated higher levels of economic growth, while social globalization has been associated with a decrease in economic growth. Conversely, economic and political globalization have proven more effective in fostering growth in developing countries compared to social globalization. Therefore, for sustainable economic growth, developing countries should enhance their participation in international organizations, promote international trade and foreign direct investment, and increase their level of political globalization by engaging more actively in international decision-making processes (Chang and Lee, 2010).

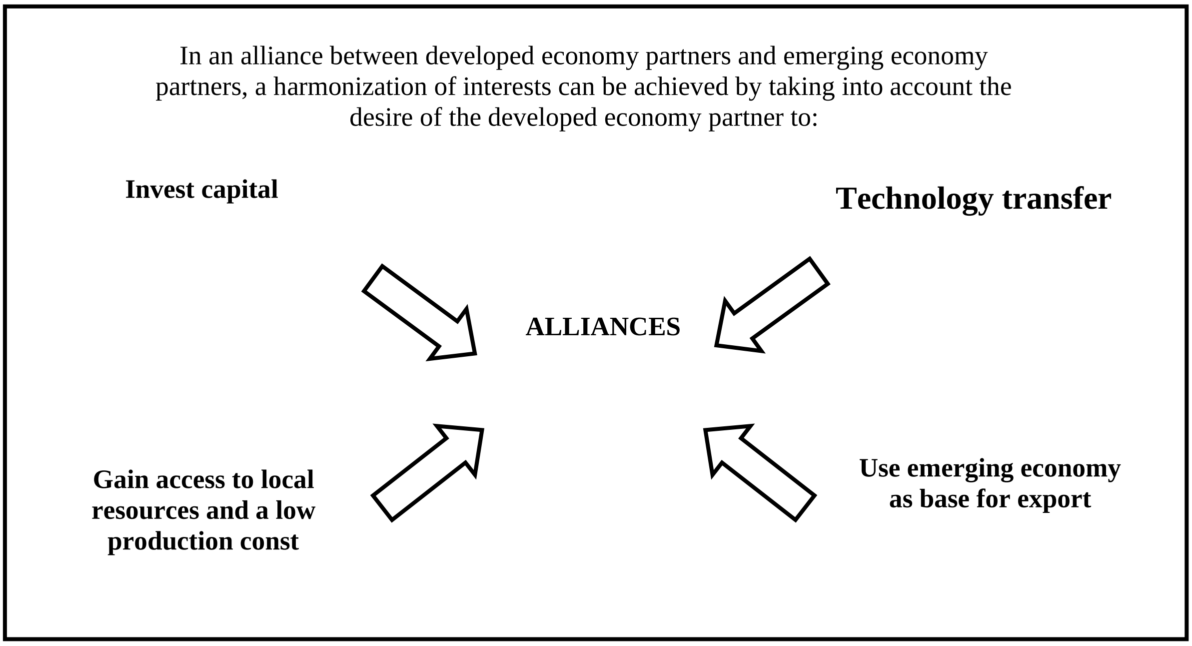

Figure 1.2 The role of alliances in economic development
Source: Adapted from Child et al. (2019)

Equally important to emphasize is the relationship between globalization and foreign direct investment (FDI) flows (Figure 1.2). It is undeniable that globalization significantly impacts both GDP and FDI. However, globalization can negatively affect economic growth and may even have an insignificant relationship with the economic growth of developing countries. This is because a country's integration into the global economy is only one aspect; the other crucial aspect is how effectively the country can leverage and benefit from globalization.

3. Conclusions

Policymakers should prioritize economic integration that facilitates FDI flows to generate more job opportunities and stimulate economic growth. FDI undeniably contributes to enhancing government spending and encouraging domestic investments, thereby promoting growth.

It is, therefore, unsurprising that a country's level of development is directly linked to its industrialization process, the extent of foreign trade, and its participation in regional and global export markets. Trade is essential for establishing a strong position in the global and regional markets, at least for certain goods and services, by building a country brand image. This trend is particularly evident in global economies, where multinational and transnational companies are increasingly present, especially in emerging markets or developing economies.

Additionally, developed countries influence the development levels of neighboring countries. Emerging and developing countries can benefit from the economic growth spillover, positively impacting their economic performance compared to more remote areas, which benefit less. Several factors influence this positive effect or inhibit it, including political stability, safety and security of neighboring countries, fiscal policy, economic stability, inflation rates, unemployment, unskilled labor, and environmental issues that adversely affect natural resources.

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