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**Economic Globalization - a
Phenomenon of Global Business Integration**

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Abstract: Tumultuous economic life led scientists to seek explanations to the negative economic events, events that take many forms, and to whom it is a must to find a solution or even a mitigating factor. The foundation of the economy has undergone many changes. The recent events manifested in the world economy show that the underlying fundamentals of this science must be revised because they proved to be wrong. It notes several times, mainly due to present economic crisis, that currently the economics have no theoretical and practical means and no tools of analysis and intervention in the economy, proving that the existing ones are exceeded and insufficient, so that the creation of an unifying principle and of some generalizing concepts that could systematize and forecast the current economic phenomena in the microeconomics and macroeconomics, especially in the transnational companies field, those which are the base of the foreign direct investment flows, should become the main objective of the new economic science. Through this paper, we tried to illustrate the important aspects of economic globalization, the challenges that this phenomenon poses to economies and the way in which an economy can become globally competitive, under massive constraints of the global competition, how a national company can become globally integrated, study based on representative references.

Keywords: economic globalization; globalism; investment strategies; global integration; foreign direct investments

1. Introduction

The concept of economic globalization highlights the changes made to the world economy, the changes facing the world economy in recent years. Capital transfers, free movement of capital flows, acquisitions and mergers made between different global multinationals are elements that characterize the concept of "economic globalization".

The literature is very rich on this topic. We will review the main ideas of scientists on this economic phenomenon, just to help us illustrate the evolution and key elements that have stimulated a great expansion of FDI flows over the past decades.

One of the most important ideas identified during the conducted survey is that of Barrie Axford, who in his "The Global System: Politics, Economics and Culture" (Barrie Axford, 1995) book provides a detailed approach of globalization impact in our times. It examines and criticizes the global economic system fundamentals, while developing an original position of his own reflections on the institutions structure. What was novel about Barrie in his study was the analysis performed on various dimensions of globalization. In addition to economic globalization, the book focuses on political and cultural globalization.

The idea guiding the study that Barrie Axford conducted is that economic globalization is a phenomenon where physical distances between countries is not a disturbing factor to achieve cross-

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border economic relations, political or socio-cultural ones. In other words, the geographical area isn't anymore an impediment to create economic links between countries. Current technologies and international investment strategies adopted by businesses worldwide are opportunities that have boosted the economic interconnection between states, regardless of their geographical location. These opportunities have helped the development of a part transfer of capital and hence the expansion of investments.

One thing that Barrie in 1988 noted in his study is that economic globalization has helped to create networks and economic interdependences, social, and cultural policies at various levels, depending on the type of companies. We see that these networks and interdependences have resulted in the economy as direct investments. Barrie's ideas derive from the definition of FDI, which are stimulated by the phenomenon of economic globalization, flows that can be considered even a positive consequence of economic globalization event.

2. Economic Globalization Challenges - Impact on FDI Flows

When referring to foreign direct investments, they may appear at the economy in various forms, from trade to investments, to international transactions, etc. In 2002, Daniel Yergin and Joseph Stanislaw in their book "The Commanding Heights - The battle for the world economy" (Yergin, D., Stanislaw, J., 2002), explain the phenomenon of economic globalization more inclusive, as a development process of trade and investments across national borders. These two authors made for the first time the distinction between the term "globalization" and "globality". Globality includes globalization precisely because the first is configured in a certain state of training of various elements and phenomena, beyond globalization.

According to Richard Lipsey, technology development, the innovation trend in the enterprises and the desire to reduce costs are the items on which the phenomenon of economic globalization has strengthened. In his book, "An Introduction to Positive Economics" (Lipsey, R. G., Chrystal, K. A., 1995), the author shows that the occurrence of these three elements specified above have led in time to companies' internal organizational changes, those becoming more decentralized and flexible. Thus, transnational companies have contributed in an increasingly important part of the globalization of economic development, through their strategies of giving up national borders and to transfer part of their field of activity in so-called host countries.

When we analyze the process of economic globalization we must look at this as a global integration, in which "the economic importance of national political boundaries are in continuous decline and there is an unprecedented intensification of economic relations and interactions until the differences of internal and external transactions become insignificant or even disappear" (Lipsey, Chrystal, 1995). According to Beeman and Frank, the new dimensions of the global economy are likely **technological**, due to the progress of communications and international transport and **economic**, due to barriers reduction or elimination of the international flows of goods, services and capital. All these ideas are presented in the book "New Dynamics in the Global Economy" by William Joseph and Isaiah Frank Beeman (1988).

In terms of local literature, we can mention several authors who have written on the subject of globalization. Among the most important we can mention Ioan Bari, who in his book, "Globalizarea economiei" (2005), tries to clot the approaches on the phenomenon of globalization of economy, because as he mentioned to this phenomenon there have been assigned multiple interpretations sometimes even contradictory.

Based on the desire to open new horizons for the economists to new meanings and new solutions to help our country in the development process, the author summarizes the definition of globalization of world economy as a dynamic process based on a particular increase in the interdependences of nation states, due to expansion and growth of transnational ties in more and more sectors of the economy,

politics and culture. In other words, all issues involved are global rather than national, which can be solved globally and not nationally (Bari, 2005).

In one of his articles, "Globalization as a process of modernity", (Dinu, 2006), Dinu Marin argues that economic globalization is "a new formula to organize the world [...] that could be called simple and significant, Americanization". Also, the same author in another article, "Explanatory model of globalization", is making the difference between the concept of economic globalization, globality and globalism, which are often overlapping terms. Thus, "globalization appears to be something more than globality and globalism, as compared to any other historical form that they have may taken in the pre-global period, form structured on adversity principle [...] Economic globalization is carried beyond post-industrialism and loading the new economy alignments, based on knowledge and ecological trends".

Moving from the epistemological manifestation of globalization to the actual phenomenon, Costea Munteanu, in his book "Transnational Finance", is making the difference between the term "globalization" and "internationalization". He argues that globalization is a process of society evolution, in an advanced growth rate, social sphere becoming effectively borderless. Starting from the ideas expressed in his work, we can say that the "internationalization" involves increasing interdependences between states, but they remain well defined as territorial units separated by national borders. International links, such as international trade, involving the scroll of distances to conduct to such relations, as global connections, and satellite communications, for example, are instant, being decoupled from space. They can propagate simultaneously and instantaneously from one place to another, "outside time", so that may be considered as "super territorial phenomena" (Scholte, 1997). Therefore, currently, international relations coexist with the global ones, contemporary world being in the same time an international world and a globalizing world.

Studying French literature, we can see that it is chiefly used the term "mondialization", as it has a wider coverage area than globalization. Thus, when we say "mondialization", we mean such globalization in various compartments of the economy: "the globalization of markets, globalization of business firms, financial globalization", etc.

This view is supported also by the Anglo-Saxon literature; the definition given in Frank Livesey's dictionary of economic globalization, in his "Dictionary of Economics" (1993) that globalization means the tendency of firms to establish production units in the world, wherever that market is large enough to allow economies of scale. This increases the number and size of multinational companies. The key feature of globalization is that goods, services, capital, labor and ideas are transferred internationally through companies.

In other words, globalization is a trend of expansion of multinational companies on international markets, which constitute the essential factor of worldwide product distribution.

Latin literature, here we refer to Italy, especially to a dictionary of political economy, (De Rosa, Minieri, Verrilli & De Luca, 2006), considers globalization as the global market constitution process. This is achieved by transforming needs in global needs by standardizing products, as well as communications and media development. Incredibly, communications and media power became very important to help leveling needs worldwide. Under the impact of globalization, to be able to become competitive in the global marketplace, companies are forced to have a flexible, dynamic, based on innovation, technology and decentralized production. The absolute need of investment strategies continue to be upgraded so that research development departments inside the companies have become a necessity.

The same elements in the definition of globalization are found in several other studies. Thus, the majority of studies published by the Organization for Economic Cooperation and Development noted that the most important historically, global expansion was achieved by means of exchange, and after the 80s, through a considerable growth of foreign direct investments and business cooperation. What is innovative in this stage is that companies have turned to new combination of international

investments, exchange and cooperation between them in order to ensure expansion and achieve its goals.

The international investment strategies from the past are based on export and sale of products to the markets of other countries. This time, the new strategies combine the full range of cross-border activities: exports and supply inside/outside, foreign direct investments and international alliances. Those businesses that use these strategies can succeed profits due to a higher level of coordination, operations diversify and to their local implantation.¹

When we discuss about economic globalization we must refer to transnational companies, to interdependence of trade and FDI flows. We see in other words that by this term we mean a process of "internationalization of capital" that attempts capitalization in different geographical regions of the globe, depending on available resources and markets.

Economic globalization has allowed the development of network companies, which have emphasized capital accumulation process and the decentralization of activities, offering at the same time, the penetration of capital in different countries. Flows of international investments made by transnational companies through mergers and acquisitions processes have led to a consolidation and a high concentration of global capital. From an economic perspective, globalization has allowed the development of strategic partnerships between large multinational corporations, especially in technology.

Economic globalization is based on the increasing interdependence between states, which brings the system of interdependent markets. Due to these factors, technology news spread rapidly, affecting production costs of all other countries products, positioning a firm in a market can attract prestige on another market. So, the globalization of markets requires their integration process, companies having no longer the possibility to take separate decisions. The interdependent markets will force them to adopt a "global strategy", which targets the entire world market.

Once with the globalization of markets and companies there is also a globalization of competition, which means that placing a company on a certain category of the market, either positive or negative, can affect its international competitiveness.

A major figure of the world economic science, Joseph Stiglitz, in his book, "Globalization and its discontents" (2003), believes that globalization has huge potential, still unrealized, to eradicate poverty and stimulate the growth of a country. In recent years, the International Monetary Fund, World Bank and World Trade Organization have promoted world financial stability, prosperity and free trade, these institutions being in recent decades in the midst of economic events and contributed by all their actions to globalization. As international organizations was very easy to steer the world economy to the phenomenon of economic globalization.

Stiglitz's book seems to be a criticism of the IMF and complain that, although it has been more than 50 years after its establishment, its main objectives were not met, the IMF mission failed. According to Stiglitz's theory there were adopted wrong policies, such as denial of economic aid to fund those countries that have been in economic decline, namely the creation of economic instability in the capital markets through liberalization started too early and forced. The mistake is that it takes too much on macroeconomic issues at country level; there are plenty of examples, our country being among them. It also provides aid only to countries that adopt policies less expansionary, but rather to restrict economic activity by lowering the budget deficit or increase taxes, which increase the interest rate, typically restrictive policies.

Stiglitz blames "market fundamentalism", which argues that a "free" market solves all problems flawlessly. It requires that public institutions to reform themselves and become more transparent. This

¹ Organization for Economic Cooperation and Development study: „*Performances de filiales etrangeres dans les pays de l'OCDE*”, Paris, 1994.

study contributes significantly to the globalization debate and provides an analytical model on the assistance to countries facing economic development challenges and transformation.

Free market theory, the solution adopted by the U.S.A, was promoted by the International Monetary Fund in the developed countries but also in the developing countries. Often imposed by force, the countries have abandoned Keynesian theory, in which the focus was the government role in the economy, and the accent was on market liberalization. Developed countries haven't been affected by this new theory, but developing and transition countries were not prepared for such policies. Being in a position to open their national markets, they have been found vulnerable and unprepared for the competition from outside.

In addition, we must say that Stiglitz believes that economic development and the process of economic globalization, after all, is not about statistics or other figures, but it is about lives and jobs. Stiglitz does not forget that these adopted policies are implemented for the wellbeing of people and their success should not be measured by how competitive international banks are, but in how much food the people have and by how many their living standards are growing.

The liberalization of capital markets is one of globalization aspect for long fought by Stiglitz, because, as we mentioned, the benefits were remarkable only in the developed countries, developing countries suffer from foreign financial flows, which changed its direction, banking systems have deteriorated and collapsed on the one hand currency. Examples are most common in Asia, Latin America respectively. These attacks have served only to aggravate the poverty and to create chaos at the country level.

Four years after underlying the challenges that supposed the increasing of countries interdependences, Stiglitz returns with another study on the topic of globalization, namely "Making Globalization Work"(2007), which seeks to provide inventive solutions for a range of problems facing developing countries, international fiscal instability, and global pollution. Also stresses the need to reform global financial institutions, review trade agreements, and laws on intellectual property in order to make them better respond to the growing gap between countries. Now more than ever before, globalization has gathered the world's peoples in a community, bringing with it a need to think and act globally.

Another paper with impact on this topic is represented by "Global Political Economy: Understanding the International Economic Order" (2001), by Robert Gilpin and Jean Gilpin, stating that the Cold War end unleashed new economical and political forces, appearing also, new regionalisms. New technologies are more and more momentum for the global economy, their development changing every aspect of contemporary economic affairs.

Gilpin focuses its attention on the propensity of economic forces, political and technological developments that have transformed the world and turned it. He focuses on the economic globalization, on its implications on economic affairs and on the degree to which the nature and the significance of this phenomenon have been exaggerated and wrong interpreted. More than that, he demonstrated that national policies and national economies remain the most critical determinants of business economic. The book also emphasizes the importance of economic regionalism, multinational corporations, and financial flows.

Gilpin integrates economic and political analysis in his discussion of "global political economy", using the conventional theory of international trade and endogenous growth theory.

3. Conclusions

Liberalization and deregulation in the field of international trade, accompanied by new information and production have led to a new production and labor organization within transnational companies, leading to expansion capital mobility phenomenon.

Due to economic globalization, relations between national economies have become much closer, due to international transactions and processes, as well as international trade and investment flows. We can

say that we are witnessing an internationalized economy such as we see that trade relations have been replaced by foreign direct investment flows. When discussing the development, is absolutely necessary that we see the strong expansion of multinational companies, still regulated at national level, keeping national basis. Again it is emphasized the autonomy of national economies. In other words, open internationalized economy is nothing but a conglomeration of national autonomous systems based on international economic relations.

As we can see the phenomenon of globalization has been discussed by many scientists, which shows that this term is complex and very comprehensive. In future work we will try showing the evolution of FDI under the economic crisis effects, a trend which will show their expansion, implicitly the importance of these flows in the global economy being determinant of economic globalization.

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