

 <p>REVISTA MOLDOVENEASCĂ DE DREPT INTERNAȚIONAL ȘI RELAȚII INTERNAȚIONALE Chișinău, Republica Moldova</p>	<p>Revista Moldovenească de Drept Internațional și Relații Internaționale / Moldavian Journal of International Law and International Relations / Молдавский журнал международного права и международных отношений</p> <p>2024, Issue 1, Volume 19, Pages 9-22. ISSN 1857-1999 EISSN 2345-1963</p> <p>Submitted: 02.04.2024 Reviewed: 12.05.2024 Accepted: 20.05.2024 Published: 15.06.2024 https://doi.org/10.61753/1857-1999/2345-1963/2023.19-1.04</p>
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COMUNICĂRI ȘTIINȚIFICE
THE SCIENTIFIC COMMUNICATIONS
НАУЧНЫЕ СООБЩЕНИЯ

GLOBALIZATION: CHOICE OR NECESSITY

GLOBALIZARE: ALEGERE SAU NECESITATE

ГЛОБАЛИЗАЦИЯ: ВЫБОР ИЛИ НЕОБХОДИМОСТЬ

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ABSTRACT:

GLOBALIZATION: CHOICE OR NECESSITY

Globalization is multidimensional process, where political, economic, military, cultural, environmental and social sides are widely involved. Since late 1990s knowledge plays a key role in determining the structure and frame of the modern world. Despite the fact that during globalization national borders have less meaning for global firms while they seek for the most advantageous place for economic profit, national countries create unique environment for them and ensure their sound positions on science-based world markets.

Technology achievement is a significant factor for development. Participation in contemporary economy means to create appropriate sources for education, adequate infrastructure, political stabilization, market economy and so on.

Keywords: Globalization, modern world, political stabilization, national economy

JEL Classification: F60; Z18

Universal Decimal Classification: 327; 340.11:32; 341.7

<https://doi.org/10.61753/1857-1999/2345-1963/2023.19-1.04>

REZUMAT:

GLOBALIZAREA: ALEGERE SAU NECESITATE

Globalizarea este un proces multidimensional, în care părțile politice, economice, militare, culturale, de mediu și sociale sunt implicate pe scară largă. De la sfârșitul anilor 1990 cunoștințele joacă un rol cheie în determinarea structurii și cadrului lumii moderne. În ciuda faptului că, în timpul globalizării, granițele naționale au mai puțină semnificație pentru firmele globale, în timp ce ele caută locul cel mai

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avantajos pentru profitul economic, țările naționale le creează un mediu unic și își asigură pozițiile solide pe piețele mondiale bazate pe știință.

Realizarea tehnologiei este un factor important pentru dezvoltare. Participarea la economia contemporană înseamnă crearea surselor adecvate pentru educație, infrastructură adecvată, stabilizare politică, economie de piață și așa mai departe.

Cuvinte cheie: Globalizare, lume modernă, stabilizare politică, economie națională

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CZU: 327; 340.11:32; 341.7

<https://doi.org/10.61753/1857-1999/2345-1963/2023.19-1.04>

РЕЗЮМЕ:

ГЛОБАЛИЗАЦИЯ: ВЫБОР ИЛИ НЕОБХОДИМОСТЬ

Глобализация – это многомерный процесс, в котором широко задействованы политические, экономические, военные, культурные, экологические и социальные стороны. С конца 1990-х годов знания играют ключевую роль в определении структуры и рамок современного мира. Несмотря на то, что в условиях глобализации национальные границы имеют меньшее значение для глобальных фирм, пока они ищут наиболее выгодное место для получения экономической прибыли, национальные страны создают для них уникальную среду и обеспечивают им прочные позиции на наукоемких мировых рынках.

Технологические достижения являются важным фактором развития. Участие в современной экономике означает создание соответствующих источников образования, адекватной инфраструктуры, политической стабилизации, рыночной экономики и так далее.

Ключевые слова: Глобализация, современный мир, политическая стабилизация, национальная экономика.

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Introduction

At the beginning of the new century, globalization can be imagined as a double-edged sword: a powerful wheel that leads to economic growth, spreads new technologies and increases the standard of living. However, at the same time, it is a contradictory process that harms national sovereignty, undermines local culture and tradition, and increases the threat of economic and social destabilization. The most important challenge of globalization is that its consequences affect all countries and all people. What is globalization? A way to increase well-being or a threat to the development of the national economy? The most important dilemma of the twenty-first century is the rational combination of different requirements and opportunities of globalization.

The Nature of Globalism

Globalism is a multi-dimensional phenomenon, according to American scientists, Robert Keohane and Joseph Nye (2000). They are the authors of the theory of complex interdependence. This direction was developed in the theory of international relations in the 70s last century. Actually, there are several equally important forms of globalization: economic globalism, military globalism, ecological globalism, social and cultural globalism.

It is difficult to determine where one form of globalization begins and another ends. It is also difficult to determine the cause-effect relationship between them. However, it is clear that our century is characterized by relationships formed as a result of their interaction. In the economic literature, the term “economic globalism” is often used, which I think is not a very accurate

definition. as the matter of the fact, the development of economic globalization is so closely related to the political, cultural, social and technological realities of the world that it is practically impossible to talk about economic interdependence without taking them into account its political cultural, ecological social and other dimensions. Thus, at the turn of the 20th and 21st centuries, globalism and the globalization of the world are the terms describing a complex process or a multidimensional phenomenon.

The Development of Globalism

Two stages can be clarified in the growth of interdependence of the world economy. The first stage is the period, when after the Second World War in the 1950s, both sides of the Cold War conflict tried to create more integrated transnational economies. The European Economic Cooperation (EEC) in Western Europe and the Council for Economic Cooperation (CoE) in Eastern Europe were examples of similar efforts. Late in the same period, until the 1980s, the USA also appeared as a promoter of trade liberalization and economic growth. The developed countries of the non-communist world have signed the GATT trade agreement. 50-60-70s of the XX century national governments gradually abolished tariffs and quotas to create a more integrated capitalist global economy. As a result of successful trade negotiations, industrialized countries reduced their tariffs up to 5% in 1990 from 40% in 1946. Companies responded to these new economic opportunities by expanding national boundaries and went beyond national economies. This period is characterized by the rise of multinational corporations, the firms that operate in two or more countries. The number of multinational corporations was 3,500 in 1960, reached 9,000 in 1973 and 30,000 in 1990, accounting for 40% of all world trade (). In 2017 the United Nations Conference on Trade and Development (UNCTAD, 2017) valued that there were over 100,000 multinational corporations governing around 900,000 foreign affiliates.

Later on, in 1970s of XX century, China choose to end confronting the global economy and become active participant. Meanwhile the Soviet Union collapsed in the 1990s, in such way stopped isolation from the rest of the world economy, and began slowly involvement in single capitalist global markets. The second phase of globalization, which began in the 1980s and accelerated in the 1990s, is very diverse. It was born out of great changes in technology. New technologies created new opportunities to participate in global market, which were intensively used by modern corporations. The second phase of globalization is not a process that can be started or stopped by the government, as it was the case after the Second World War. Technology and knowledge play the most important role in the second stage of globalization. Globalization can be determined as one of the results of the new technologies (microelectronics, robotics, telecommunications, new materials and biotechnology) that define the economic model of the third millennium (Gvelesiani et al 2023). These technologies and their interactions create a science-based economy. This new model of economy is constantly changing the economic and social existence of states. Globalization is often considered as the cause of these changes, and less often - as one of its consequences. Actually, in this case, it is quite difficult to determine the cause-and-effect relationship.

Studies conducted by international institutions confirm that the difference between the incomes of low- and high-skilled workers is increasing. About 4 billion people in the world live in countries with an annual GDP per capita of less than 1,500 US dollars (Human Development Report 2024) . The greatest promise of globalization lies in the fact that it promises to overcome poverty and transform people into consumers. In this case, technological changes become the most important, and international trade and international competition - relatively secondary.

Re-thinking the welfare and the competitive advantage

David Ricardo's concept of comparative advantage, which was based on the factors of production and which played an important role in the formation of the export-import structure of many branches of the economy, can be applied to modern economy with the same success. According to its basic principle, market forces direct the country's resources to the branches

where they are most productively and efficiently used. In other words, at the modern stage of development, it is most advantageous for the country to direct resources to scientific fields, where they will be used in a most productively way due to the high level of highly qualified knowledge and technical development. The increasing use of science in manufacturing can be seen as the industrial revolution - after the steam engine and the use of the electron. This new industrial revolution is not spreading to all parts of the world. This requires a qualified and educated workforce, advanced infrastructure (power systems, telecommunications, transport, etc.), political stability, and a willingness to act according to market laws, which many countries cannot afford.

A new understanding of the theory of comparative advantage formulated by David Ricardo makes it clear that the existence of comparative advantage in a country is not an argument for starting international trade and making a profit. In addition to relative advantage, there are a number of factors that affect the structure of the country's economy and its competitiveness. As the American scientist Michael Porter believes (Porter 1992), the answer to these questions should be found in four factors of the country, which have a common character and create a competitive environment for local firms. This environment can facilitate or hinder the creation of competitive advantages. These factors are:

1. Factor conditions, that is, specific factors (eg qualified workers, infrastructure, etc.);
2. Demand conditions, i.e. the country's demand on the domestic market;
3. Related and supporting industries, i.e. existence or non-existence of related and supporting industries in the country competitive on international markets;
4. Strategy of firms, their structure and competition, i.e. the conditions in the country of establishment and management of the firm and the nature of competition in the domestic market.

These determinants each separately and together as a system create the environment in which the firm of a given country operates and its competitive advantages are created. The country has the greatest chance of success in those sectors or segments where the “National Diamond” (that is, the determinants of competitive advantage as a system) has a particularly favorable character. In order to maintain a competitive advantage in scientific fields (which is the basis of any developed economy), it is necessary to have an advantage in all determinants, the interaction of which creates such profitable conditions that ensure sustainable positions of firms of a given country in international markets. Michael Porter's opinion about the most important role of national conditions in the wake of the removal of national borders in the conditions of globalization sounds paradoxical at first glance, but in fact, his argument is not devoid of foundation. Companies and financial markets pay less attention to national borders in the process of production, marketing and investment. Commercial firms look for the cheapest place to produce and the most profitable place to sell goods and services.

Modern Challenges for Global Firms

Due to modern communications and means of transportation, the search for the most favorable space in terms of these two dimensions is going on all over the planet. In the process, the global economy ultimately dissolves the boundaries of existing national economies, although the influence of national conditions on the ability of individual firms to succeed in international markets remains significant. This is also evidenced by the stable positions of developed countries in scientific fields.

The existence of the global economy is determined by these search criteria, and not by any specific economic indicators (gross domestic product, share of exports in gross domestic product, etc.). The forms of globalization differ from each other, but the content is common, namely, the desire of commercial firms to obtain maximum profit. The economic gap between the countries is significant. During the first and second industrial revolutions, labor was moving away from agriculture and into manufacturing and mining centers. Trade unions, supported by the state, promoted a more equal distribution of wages. The social welfare system used a system of taxes and expenditures to equalize income. A science-based economy has

fundamentally changed these sources (fundamentals) of equality. After the third industrial revolution, the labor force is leaving the field of manufacturing and extractive industries and shifting to the service field. In the conditions of globalization, trade unions are losing their functions, because these unions are not able to protect jobs and wages in the face of global competition. The Organization for Economic Cooperation and Development criticizes Europe for not regulating the labor market and not allowing wages to fall. The high income taxes necessary to fund social security are not globally sustainable. Because of this, firms in Europe are no longer expanding because their wages are not in line with wages in the rest of the world. Firms will simply move to countries where they do not have to pay high income taxes. A high level of social welfare means that they prefer low-paid work to unemployment. Unemployment benefits in Europe are higher than wages in the US service sector, causing unemployment to rise in Europe. Despite this, Europeans still do not want to abolish their traditional social security system. According to statistical data, capital income is increasing while labor income is falling. This is not surprising given that globally the volume of labor is greater than the volume of capital in the rich developed world. Similarly, wages for skilled workers rise while the cost of unskilled labor falls because the global supply of unskilled labor greatly exceeds the supply of skilled labor.

The new technologies require more and more qualified workforce. Macroeconomic indicators of countries, such as the combined national product per capita, were almost equalized in the 60s and 70s of the XX century, and at the end of the 20th century, they significantly diverged from each other. Those countries that do not participate in the global, science-based economy are significantly behind in terms of economic development (for example, African countries). Those countries that can participate in the global economy are developing dynamically (eg China, Thailand, Korea, etc.). In Asia and South America, the gap between the most successful and the most unsuccessful countries has increased.

Scientific and technical progress and innovations have always been the driving force of economic development. For example, in the 19th century, Great Britain's strong positions in industrial fields were based on its technological advantages. However, at the end of the 20th century, the development of science with giant steps complicated the interdependence of the world and at the same time became the driving force of globalization. According to their nature, the following types of technologies can be distinguished: information technologies, through which the computer and modern means of communication are agreed upon; Biotechnology, which is used in medicine, pharmacology, agricultural chemical industry, etc. Now Development is based on new materials such as polymers, ceramics, composite materials, etc. which successfully replace traditional materials. Digital technologies play key role in all business operation and their importance is growing annually (Sepashvili 2020). In the 21st century, those companies and countries that have strong positions in these key and promising areas will manage to develop successfully.

At the modern stage, such non-traditional type of production as "production of ideas and knowledge" is gaining more and more importance. American companies actively attract talented foreigners to their activities. Talented young people and scientists are the most important factor of growth, but if their outflow is actively taking place outside the borders of the country (as it happens in the CIS countries), then this factor does not play any role in the economic development of the given country. Through globalization, these factors are directed to where they are most rationally used.

According European patent office (EPO) 2023 data (EPO 2023), Eight of the top ten most patent-active fields demonstrate rapid growth. Electrical machinery, apparatus and energy showed growth of 12.2%. A field that includes clean energy inventions and battery technologies, grew fastest. The top technology field of digital communication demonstrated 8.6% strong growth, approximately the same rate of growth showed biotechnology - +5.9%. In medical technology growth was +1.3% and in computer science technology grew by 1.2%. The growth in measurement equipment was 3.5%, which includes sensors that are key to the

features of many smart devices. The combined number of applications in the top ten fields accounted 57% of all European patent applications in 2023.

Wide spread of advanced technologies in national economies significantly increases the efficiency of resource use. It should be noted that the use of information and other advanced technologies and making a profit is not an automatic process. Countries that fail to meet the necessary conditions for the effective use of new technologies (high level of education, adequate infrastructure, appropriate regulatory policies) experience failure.

A globalized economy and technological changes inevitably lead to higher wages for more qualified personnel. In the near future, education will be the determining factor for success (both at the individual level and for countries' level).

Conclusion

Globalization's potential remains limited because it pays less for poor countries. This fact is due to internal economic and social circumstances. The world is still not characterized by the perfect integration of markets for services and products. Sometimes even the mere existence of boundaries can hinder the integration process. Globalization, in fact, spreads through machinery and technology, which in turn requires the presence of an educated workforce and developed infrastructure in a country. Thus, underdeveloped countries can choose whether or not to participate in the global economy. Developed countries have no choice. They have already passed the point of no return. Their corporations have dedicated themselves to the global economy, their structure is only to serve the global economy, so they cannot serve only national economies even if they wanted to.

In the developed world, so many citizens depend on the global economy for their livelihoods that their governments do not even consider the choice. For developing countries, not accepting participation in the process of globalization means denying the creation of an educated workforce and infrastructure necessary for participation in the world economy. It is necessary to develop a valid approach to globalization so that the country can define its own national interests and assess its place in this process.'

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<https://doi.org/10.61753/1857-1999/2345-1963/2023.19-1.04>