

Positive Effects of Globalization

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Abstract:

Globalization is a phenomenon with a great impact on all economic, social, political, and characteristic of the last decades of the twentieth century. It is a new reality. Globalization is the development beyond market and the global economy and it means "world without borders". Globalization can not be treated as a phenomenon which has a fixed starting point and there is no any precise definition. The unequal distribution of natural resources led to all countries of the world to be increasingly interdependent on products and services offered by other countries which they themselves do not possess and therefore can not produce.

This urged to a greater mobility of people from one country to another and it led to a cultural interweaving.

A very important role in the globalization of countries play also the immigrants who contribute not only to the economic level of their host countries but also the respective countries they come from.

And the word "globalization" does not include only some countries with specific characteristics or traits, but it means and include all countries of the globe.

Globalisation as a phenomenon has started to exist in the form of simple commercial exchanges but today it has become a complex phenomenon that involves all walks of life of each country all over the world ranging from the largest and most developed, consisiting

millions of inhabitants, to the tiniest countries with several thousand inhabitants.

Benefits of this phenomenon are universal and diverse ranging from political, economical, social, cultural, technological, sharing experiences in all aspects, diffusion phenomenon which include every interaction level, the opportunity to use all offered goods and services, the restructuring of life, paving the way for activities which are not yet explored etc.

Key words: Globalization, development, investment, financing, economic, positive.

Definition and sources of globalization

Globalization represents an inevitable phenomenon in human history, which is making the world increasingly smaller through increased exchange of goods, services, information, and knowledge among different cultures. It is also one of the topics most often discussed and criticized during the past decade. However, despite the widespread use of this term it seems that yet there is no a precise and widely acceptable definition. This is due to the fact that the term itself encompasses a wide range of dimensions such as economic dimension, political dimension, socio-cultural dimension and environmental dimension. Globalization as a process in which people are unified into a single society, a process that combines the powers of economy, politics, socio-cultural and technological ones. ¹ In a narrow perspective, the notion globalization means transformation of national economies into the global economy. This practically means that the process of globalization was born and developed by business processes with a business ideology. Strategic instruments, through which is realized this process are the adjustments of the economy, economic liberalization, and

¹ Sinani.Besir “globalization-and-economic-development

privatization of the economy.²While, according to Harris (1995 page. 80) “globalization generally refers to the worldwide integration of humanity or interaction and cooperation in time and space among people worldwide”.³Giddens (1990 page. 64), basen on the modern theory on society, globalization defines as “intensification of social relations which link distant localities in such a way that national events are created and affected by events occurring several miles away or vice versa.” Also, Scholte (2000) highlights that, as a result of the development of telecommunications, digital computers, audiovisual media and tother developmens, global events can occur almost simultaneously today in all countries of the world. According to him, this is complemented even more by increasing the degree of liberalization in the international environment, by reducing barriers imposed by countries on the movement of trade, capital and people (Scholte, 2000). However, for the sake of this topic, the term globalization will be elaborated from the economic point of view. Starting from this perspective, globalization is defined as "affinity toward a greater interdependency among national institutions and economies"⁴ Or as the expansion of economic activities among people living in different countries (World Bank, 2002). This implies an increase of the size of trade and other exchanges among these countries in terms of a borderless international economy and increasingly integrated economy (Intriligator, 2001).⁵ *Globalization processes*, if conceived and administered appropriately, provide the opportunity for a greater redistribution of wealth in the global level, as it has never happened before; if managed poorly, it leads towards the increase of poverty and inequality, as well as to shock the world with a crisis.

² Hhttp://europa .eu.int ; Harris (1995 page. 80),

³ Giddens (1990 fq. 64), Based on the modern thory on society

⁴ Wild et al., 2003 page. 14, World Bank Report 2002

⁵ Conference “Globalization and developing economies

Forms of globalization

During the last two decades the globalization process has moved faster, its genesis were much earlier. There are several factors that have contributed to the acceleration of this process such as technological advances, liberalization of trade and other international activities, change of institutions and organizations, the increase of global confidence to the values of the market economy and free trade, and cultural developments. Technological developments have made it much easier and much less costly the transfer of data, products, equipment and people from one place to another, even among long-distances. As a result, this has created opportunities to the companies to expand their activities in many markets through various forms of penetration. Internet technology and application of electronic commerce has changed the buying and selling processes and are facilitating the establishment and maintain strong relationship of companies with customers, suppliers and strategic partners regardless of their location. Also, the control and coordination of the activities of subsidiaries scattered in different markets is conducted easily by using sophisticated technologies to enhance the flow of information and decision making. Liberalization of trade and other forms of international activities constitute the second source of globalization.⁶ World experience in the field of international trade has proven and is proving that free trade among different countries and not the creation of the state monopoly on foreign trade, which was implemented in the countries of Central and Eastern Europe, including our country, contain incentive elements of running a country's resources in those sectors and branches of the economy in which it has competitive advantages. Over recent years there has been a steady increase in the volume of world trade in goods and services. Thus, according to the World Trade Organization "World Trade Report 2013", the average annual rate increase in

⁶ Report of the World Trade Organization "World Trade Report 2013"²,

the volume of world exports for the period 2005-2012 is 4.5 % . The volume of foreign direct investment has increased significantly during the past decade as a result of the reduction of barriers to the movement of capital in many countries. Thus, these investments grew from \$ 324 billion in 1995 to \$ 1.5 trillion in 2000 (World Bank, 2002). But the political and economic climate created in the early 2000s after the Sept. 11 attacks, had its effects in reducing these rates. Economic and political uncertainty led to a decrease in the level of foreign direct investment in certain regions, especially in the North and Southern America.⁷

However, the year 2003 marked another phase regarding these investments, the flow of which came constantly growing to reach the level of \$ 1.3 trillion in 2006, the second highest worldwide level ever recorded after that of 2002. According to the 2007 UN World Investments Report on Trade and Development, such an increase is a reflection of the improving economic situation in many regions of the world. Investment flows increased in both developed and developing countries, transition economies of Eastern European countries and the Commonwealth. During the current and past decade, developed countries were characterized by a greater integration of capital markets, where savers are run continuously securities. Thus in the U.S., that is the leader in terms of opening capital markets, the value of net investments in international portfolios increased from \$ 436.6 billion in 2000 to about \$ 1 trillion in 2006. Meanwhile, during the same period, this indicator has fluctuated in the Eurozone from \$ 268.1 billion to \$ 941.8 billion.

⁷ 2007 Report on World Investment Conference of the United Nations on Trade and Development

Joint investments with foreign partners

In terms of Integral production and globalization trends, investments in other countries, joint investments (joint ventures) are gaining more importance and larger dimensions.⁸ Large corporations invest in other countries in order to increase their competitive abilities and more easily penetrate the world market.⁹ In the absence of large capital investments in underdeveloped countries of joint ventures represent the main sources of investment.¹⁰ In this regard there is a mutual interest for cooperation between states and corporations for joint investments.¹¹ Regarding the underdeveloped countries and enterprises and investors in these countries, joint investments with foreign partners have obvious advantages on gaining loans from abroad.¹² Regarding joint investments, the foreign partner who engages its financial means, participate in the project governance, depending on the results of the profit sharing and possible risks.¹³ Participation in profit and the number of votes during the decision-making is proportional to the amount of investments.¹⁴ In this way it engages knowledge, experience and its technology, which in terms of developing countries it is of a great importance. Foreign loan obligations (annuities) obtained must be returned regardless of the results of the business.¹⁵

Starting from these advantages, different countries take advantage incentives favoring joint investments with foreign partners with tax policy measures, exchange policies - export

⁸ Mustafa, Muhamet, “ Investment Management”, Fifth Edition. Prishtinë, page, 149.

⁹ Ibid, page, 149.

¹⁰ Ibid, page, 149.

¹¹ Ibid, page, 149.

¹² Ibid, page, 149.

¹³ Ibid, page, 150.

¹⁴ Ibid, page, 150.

¹⁵ Ibid, page, 150.

and import, customs tariffs and the like.¹⁶ But there is always a dilemma if it is in the spirit of fair and equal opportunities in the market favoring foreign partners compared with native ones.¹⁷ Therefore, in this respect it is important to create developed environment of entrepreneurship, equal conditions and institutional security for foreign partner. Regarding the security of the foreign partner it is important to:¹⁸

- Rights and agreements set forth in the contract can not be reduced by subsequent legislation;
- To ensure the right of the foreign partner that the profit share attributable can bear-profit transfer;
- To ensure the foreign partner the right to transfer assets invested - capital repatriation.¹⁹

Forms of cooperation with foreign partners to finance projects can be:

- Investing in projects of existing enterprises in accordance with the contract,
- Joint investment financing projects through which a new joint enterprise is created,
- Investment of a foreign natural person or legal entity to establish new venture owned by itself.²⁰
- Participation of the foreign partner in financing and implementation of the investment project may be in foreign currency, goods, equipment, industrial property right (licenses, patents, know-how etc.).²¹

Legal framework in most countries may allow the realization of investment projects dealing with concessions.^{22, 23} Foreign direct

¹⁶ Ibid, page, 150.

¹⁷ Ibid, page, 150.

¹⁸ Ibid, page, 150.

¹⁹ Ibid, page, 150.

²⁰ Ibid, page, 151.

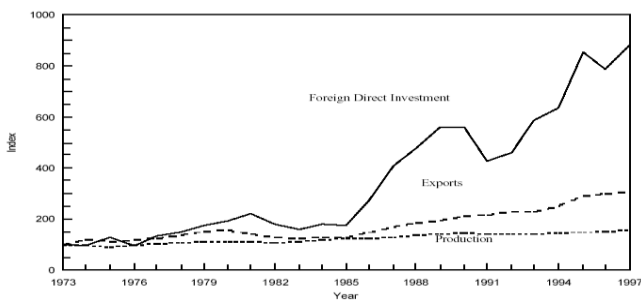
²¹ Ibid, page, 151.

²² Ibid, page, 151.

²³ Ibid, page, 151.

investments, which have a close connection with multinational businesses have grown tremendously these last two decades, a period that coincides very well with the development of economic globalization.

Direct investment in the global economy 1973-1997



²⁴From an economic perspective, the most important debate that has to do with globalization relates to its benefits in developing poor countries.

Economic globalization is linked with liberalization *globally*, not just internationally economic- social relations, realized with the initiative of developed countries to open markets of goods, services, capital and less those of individuals. However such reasoning would be very simple and reductive for the characteristics and features of the globalization process. Economic globalization has its positive aspects.

Supporters of globalization

Starting from the last century, globalization is supported by the developed countries that have a more developed economy. ²⁵ Supporters of globalization are mainly from developed countries, led by the U.S., Japan, Germany, etc. , who consider globalization as an engine of future economic development in

²⁴ Economic globalization”Ne Enciklikën “Caritas veritatem”

²⁵ Economic globalization”Ne Enciklikën “Caritas veritatem”

the world. This is evidenced with the great achievements that were made during the last decades in many economic areas, such as global production, GDP, international trade, international finance, techniques and technology , information technology, etc.

All these have contributed to significant growth and human welfare standard . Furthermore, a Japanese economist, globalization symbolizes with four "i": investment, industry, information and individuality. All these, according to him, have greatly advanced thanks to globalization. Supporters, consider globalization as a process inevitably and irrevocably that will include all countries in the world.²⁶ Volunteers and other supporters of capitalism say that higher level of political and economical freedom in the form of democracy and capitalism in the developed world are the main two targets which also create higher levels of material welfare. They see globalization as a positive expansion and extension of freedom and capitalism. The percentage of people living in developing countries with incomes below U.S. \$ 1 per day has halved in only twenty years , although some critics believe that a thorough study on poverty measuring variables should be made.

- Longevity almost doubled in developing countries since World War II and started to reduce the gap compared with developed countries where the progress was smaller . Child mortality has decreased in every developing region of the world.

- Income inequality for the world as a whole is shrinking.

- Democracy is increased dramatically from almost no nation with universal right to vote in 1900 to 62.5 % of all nations in 2000 .

- Between 1950 - 1999, literacy is increased by 52 % to 81 % globally.

²⁶ Economic globalization”Ne Enciklikën “Caritas veritatem”

Women comprised the largest gap: women's literacy as a percentage of male literacy has increased from 59 % in 1970 to 80 % in 2000.

- Percentage of children as a labor force has fallen from 24 % in 1960 to 10 % in 2000.

- Similar tendency is for electricity, cars, broadcasters, phones, fresh water access etc. per inhabitant.

What are the positive aspects of globalization that nobody can deny

Globalization processes of market economy and effects we can see in all aspects of our daily life, vicinity, daily products that we consume (food products and techniques), all can be purchased in supermarkets in one place, without the necessity going abroad. Furthermore, development of information technology has changed the world through internet, global TV channels, mobile phones that utilize even by children.

Globalization processes we also see on capital transactions, factories, companies which have conquered every corner of the world.

Nobody can deny positive advantages of globalization: rapid development of technology, removing the barriers, development of world's foremost communications. All these increased the average standard of life such as: Increased production of cars, radio and TV sets, mobile phones and all other technical means per capita has increased in the world. The average human life wide, this applies mainly for undeveloped countries. Democracy in the world is spread drastically, there is an increase on human rights, race and gender and reduction on child labor in the world. There is also a considerable increase on education and decline on hunger globally.

Here are four ways globalization has hand a positive on the world economy

Time in which we live is the time, above all, dominate individual the rights and freedoms. Nowadays, there is an ongoing process where independent countries and nations are interconnected with each other through multinational corporations and financial intermediary institutions.²⁷ This correlation leads to the overall process of globalization especially to globalization of the world economy. This process means that each of us must find a way to offer its own products and services and knowledge in the global market. This process include every country in the world, regardless the size of its territory and the number of population.

1. More efficient markets

²⁸Efficient markets should be what every economy strives for. Essentially, the sign of an efficient market is where an equilibrium is between what buyers are willing to pay for a good or service and what sellers are willing to sell for good or service. If you can improve the way you produce a good or service by doing things such as outsourcing certain processes or buying from an overseas supplier that offers discounts, you can then afford to lower your selling price which results in increased demand and affordability. Even if businesses don't lower prices, they can make additional profits and reallocate that excess profit into other things like increasing wages, taking on more investments or even creating more expansion projects.

²⁷ Selman Selmanaj "Globalization and Transitioni" : dilemmas and challenges. Prishtinë: Riinvest, 2006

²⁸ Published on web <http://www.kstatecollegian.com> 07.05.2013

2. Increased competition

Anytime that you have multiple producers competing for a hold of the economy, that is a good sign for consumers, as the quality of goods and service often goes up as a result.

When businesses started to venture across international borders, what they often did was introduce a new standard into the global marketplace. Consumers then had more options to choose from. With more competitors to fight over market share, each company has to constantly look to improve their goods or service or create more value for their customers. This means better products and sometimes lower prices, which is always a good thing for buyers.

3. Stabilized security

When your economy depends largely on another country's economy, it is hard to imagine either one of the countries attacking the other. In a weird sort of way, globalization helped heighten world security.

Although this may seem kind of twisted since there is so much violence that still goes on in the world, the fact remains that globalization has halted many conflicts that could have turned ugly if their country's financial health didn't depend on the other.

4. More wealthy equality throughout the world

Although many Americans contend that their standard of living has gone down because of globalization, the flip side to this is that hundreds of thousands of people around the world now have jobs, have started their own businesses and can provide comfort for their families.

Living in the U.S we take things like clean water, shelter and plentiful food for granted. Our standard of living is so high compared to many nations that when we can no longer buy frivolous luxuries, we claim that we are poor.

Globalization may have stopped you from buying another flat screen TV, but it also helped countless people in developing put food on their table for their families.

Conclusion

Globalization is a process with many positive aspects, the process of globalization continues today and this is clearly an ongoing and comprehensive, both in terms of economic development of human society, as well as in other aspects, political, cultural, social, ideological, etc. Globalization process has affected every society worldwide. Supporters of globalization are mainly from developed countries, led by the U.S., Japan, Germany, etc., who consider globalization as an engine of future economic development in the world. Globalization uses processes of market economy and the effects can be recognized in all aspects of our daily life in our close vicinity of the uniformity of these same products to the general consumer (food goods and techniques, all can be bought in supermarkets, so in one place, without going outside the country. Given these different countries take advantage incentives favoring joint investment with foreign partners with tax policy measures, in exchange regimes - export and import, customs tariffs similar.

There are positive parts of globalization that nobody can deny: the rapid development of high technology, removing the barriers, the development of world's foremost communications, global brand that we raised quite average standard of life, standard of personal and public life.

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