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Globalization – Miracle or Mirage for the Economy and Business Environment

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The present article aims to bring into discussion the process of globalization - as central phenomenon of the 21st century. The areas of intervention where globalization is being noticed are various, from early history to the present day, in economics, marketing, IT, the educational system, politics, business, etc. The main idea that we want to set forth is the way globalization occurs in the economy, in general, and in some countries of the world (such as Bulgaria) and in Romania, especially, as well as the manner through which they succeed or not to take advantage of the effects of globalization. More or less, we depend on globalization, and the process of globalization and its impact in our times can be more or less controlled.

Keywords: *globalization, national identity, linear regression, business environment, FDIs*

Introduction

Globalization, a rather discussed phenomenon, by some even criticized, seems to be brought more and more to the attention of political and economic analysts, each of them giving it different meanings. For some, globalization is nothing but a chimera, which simply scents at nations minimizing their existence and importance in this beginning of century. For others, especially (we could refer to the great leaders of transnational corporations), it is the means through which the strategy and policy that need to be followed can be used to obtain and counteract new markets, globalization ultimately representing the reduction of any existing barriers in the way of their expansion.

Nevertheless, globalization describes the increase of trade and investments due to falling barriers and interdependence between states. In this economic context, it is frequently met the almost exclusive reference to the effects of trade and, in particular, of trade liberalization or free trade.

The economical dimension of globalization has, without no doubt, a great importance, being one of the most important causes and driving forces of globalization processes in other areas. However, it cannot be overlooked the fact that globalization means much more than an increased integration of world economy. Therefore, it cannot be limited strictly to economical processes, a situation which unfortunately happens quite often. The various scientific disciplines involved, economical sciences primarily, historical, political, but also sociological, meet problems when defining this notion.

As a generic definition, globalization refers to the increase of global interactions at global level and to a high interdependence at economical, social, technological, cultural, political and ecological level, being often mentioned in connection with a series of features:

- linking people (increasing dependence of nations);
- reducing distances throughout technology;
- creating a common economic market.

The global nature of science and technology means that, although the main technical progresses are encountered in the developed countries, scientific research is based on global resources, while the implementation of technology aims at global goals. Global marketing is characterized through firms' marketing strategy, companies that meet the requirements of globalization, promoting this process: global brands, "Coca-colonization" consumption, etc.

The global financial system includes the "symbolic" world economy that relies on a network which involves, at global level, financial institutions, capital market's operators, national regulatory bodies and so on [1].

Communication infrastructure refers to the technical progress recorded in order to improve material communication systems (transports), to achieve worldwide media coverage, and, especially, to establish a global transmission/ information reception network.

Finally, the global institutional framework comprises a series of governmental or nongovernmental organizations aimed at promoting discussions and actions addressing to global issues: pollution, criminality, poverty, terrorism, hunger, lack of water resources, etc [2].

A consequence of economical globalization is the improvement of relations between the developers of the same industry from different parts of the world (that is the globalization of an industry), but also the erosion of national sovereignty over the economical sphere. Thus, the IMF defines globalization as being "the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology" [3]. On the other hand, the World Bank defines globalization as "Freedom and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries".

Globalization in the period after the World War II was led by rounds of negotiations, in a first phase under the auspices of GATT (General Agreement on Tariffs and Trade), which brought to several agreements being signed as to remove several restrictions on free trade. The Uruguay Round led to the signing of a treaty which created the World Trade Organization, having the role of mediating trade disputes. Other bilateral trade agreements, including sections of the Maastricht Treaty and NAFTA have also been signed in order to reduce tariffs and trade barriers.

National identity in the context of globalization

National identity is necessary for a people in order to articulate itself with the meaning of existence in a given territory. The fusion between language and culture symbolizes particular complementarities to the multilateralism and universality of this world. Only through culture and language, assimilated with free will, you can belong from the bottom of your soul to a people, to share some aspirations and can move forward. National identity cannot be opened to some rational thoughts in what concerns the presentation and characterization of a life in a modern state. She comes to us through the language we speak and learn to articulate the most primitive wishes.

"The reaction to the globalization phenomenon is still significant. National communities return to their irreducible traditions – the identity, which they understand to assert more strongly from some time now. Even one of the promoters of the EU, France, warned that it will not give up its identity under no circumstances. France wants (and is not the only one) a Europe of nations, an idea promoted by Ch. De Gaulle, built following a logic of integration in line with the logic of differentiation.", says N. Ionescu in his article named "Globalizare și identitate națională" [3].

The same author writes that "the erasure of national culture will never be possible, as well as the erasure of literature, art, religion, folklore and musical traditions, the history of any nation. The world would be much poorer without the diversity of national cultures. But the contemporary connections between cultural life and political life must find their own natural and lucrative forces through which nations in general, including Romania, can consolidate their qualities and material and spiritual accomplishments".

National identity is a relation between states and territories and includes concepts such as threat, inferiority or superiority and is correlated to the idea of common action against third party states and foreign policies creations. This concept of national identity is accompanied by strong group membership feelings and by the delimitation of "we" and "them", developing in the same time interpersonal connections within a group.

The phrase often cited that nations are too small for big problems and too big for small problems, comes from an article written by Daniel Bell in 80's [4]. Global issues such as the greenhouse effect cannot be solved at a single state level, as local problems cannot be solved in the educational system. Consequently, the national state erodes. It does not disappear, nor becomes useless, such as it is mentioned in various comments, but it transforms itself. This raises some additional levels that can solve problems - both superior and inferior to the national state. Rigid boundaries that were recently marking the territory of a country, state power and people's power become thus permeable. Behind the debate about "national state erosion" hide neither more nor less than the above mentioned facts. This "erosion" shines through a particularly advanced way in the EU. Here, states have transferred to a new supranational organization from central competences up to monetary sovereignty. Still, these phenomena are not new - they are known and discussed since the 70's under the term "interdependence"-, processes have accelerated, reaching new dimensions both qualitatively and quantitatively. This is actually the novelty of globalization. Both the environmental damage and the unfair distribution existed long before the discussions about globalization began and these problems have worsened because of it. On the other hand, globalization creates the conditions to react properly, worldwide, in certain global issues.

The importance of globalization upon business

Globalization is considered to be a process in which barriers separating the different regions of the world (economical, cultural and political) are usually reduced or removed in order to stimulate exchanges both in knowledge and goods.

Nowadays, more and more people pay attention to the so-called economical revolution. This one is easily to be noticed: the number of those who have been living in market economy for the last twenty years has arisen from 1.5 billion persons to almost 6 billion. At this moment there is no country that would not have experienced market-oriented policies. Almost all countries have reduced customs barriers, many enterprises from the public sector have been transferred to the private area when these actions seemed to be done at the proper time, the role of the government has been reduced as an economic agent, increasing its importance upon regulation and stimulation and giving competition the opportunity for some public facilities. Generally speaking, markets tend to acquire an important role while public involvement is less and less encouraged [5].

It is well known that transnational corporations represent a great image of power within the globalized world economy. Many big companies are richer and more powerful than the states that seek to regulate them. Therefore, corporations have been growing very quickly and some of them have annual profits exceeding the GDP's of low and medium income countries. The following table reflects how business within globalization dominates the global economy and its influence over global policymaking.

Table 1: The globalization impact upon business

Shareholders	It might be a financial instability without a stable law.
Employees	Many companies give up on some centers and begin a new activity within developing countries so as to reduce costs.
Users	There are some vulnerable users to different products.
Chandler and competitors	It has to be noticed the fact that chandlers are submitted to corporations laws and internal competitors may be exposed to strong contenders.
Administration and laws	Globalization leads to some weak points of administration. It also represents a legal frame for environmental protection, standards living, civilization and so many other things.

As a major concern for the international institutions, an important study was published by The International Monetary Fund regarding the business regulation report in 181 countries. This report reflects globalization in statistics data known as *Doing Business*. That will be the sixth edition of this comparative study that takes into consideration national regulations and the modality of how these ones improve or compel the global business environment.

Doing Business measured a set of regulations affecting 10 stages of national life cycle of a company: starting a business, obtaining building permits, laws on labor, property registration, access to credit, protecting investors, paying taxes, border trade, contract enforcement and closing business. Nevertheless, *Doing Business* encounters two types of data: the first category comes from laws and regulations and the second one consists of time and motion indicators that measure efficiency in achieving the established goal.

It is well known that in such places that are characterized by a poor quality of infrastructure services – companies' productivity, profit and growth suffer. That is why this international study and the standard cost model (first appeared and developed in Netherlands) represent the unique standards used across a huge range of jurisdictions so as to evaluate the influence of government rule-making within globalization on business activity. So as to take a whole picture, the standard cost model represents a quantitative methodology for determining administrative burdens that regulation imposes on businesses. The method can be used to measure the effect of a single law or of selected areas of legislation or to perform a baseline measurement of all legislation in a country [6].

Last year was a hard one for the business field. Companies all over the world had to handle with the effects of a financial crisis that started in rich economies and finally led to a global economic downturn. As far as policy makers and governments are concerned, great challenges appeared - stabilizing the financial sector, restoring confidence and trust among people (almost 50 million people risked to lose their jobs as a result of the crisis), implementing regulatory reforms that had as a main objective the "economy refreshment" [7].

Recognizing the importance of firms – small and medium size enterprises – for the development of the country, some governments have included reforms of business regulation in their economic recovery plans (table 2). Thus, it can be easily observed the fact that for the first time a Sub–Saharan African economy, Rwanda led the world concerning business reforms. Rwanda succeeded last year to introduce a new company law that simplified business start-up and increased minority shareholder protections. Delays at the borders were also reduced due to simpler requirements for documents.

The situation shows that Arab Republic of Egypt, Liberia, Moldova, the Kyrgyz Republic and Tajikistan - joined Rwanda on the list of global top reformers. All in all, these top ten reformers are economies that thanks to reforms improved the most on the ease of doing business.

Table 2: The top 10 reformers in 2008 / 2009

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering proper	Getting credit	Protecting invest	Paying taxes	Trading across borders	Enforcing co	Closing a business
Rwanda	✓		✓		✓			✓		✓
Kyrgyz	✓	✓	✓		✓		✓	✓		
Macedonia	✓	✓	✓		✓		✓			
Belarus	✓	✓	✓				✓	✓		
United Arab	✓	✓						✓		
Moldova	✓						✓			
Colombia	✓	✓			✓		✓	✓		✓
Tajikistan	✓	✓			✓					✓
Egypt, Arab	✓	✓			✓					
Liberta	✓	✓						✓		

Romania and Bulgaria – from foreign investments to gross domestic product

For many years it has been discussed about the duo Romania – Bulgaria, almost never the two countries being taken into consideration separately. In the European Union they have been accepted together, in order to adhere to Schengen they fight together and most probably together they will enter the euro zone because the two have an apparently similar economic development itinerary. Still, many do not take into account an important aspect and that is the population or more exactly the considerably large difference between the population of the two countries, 7,543,325 inhabitants in Bulgaria and 21,442,012 inhabitants in Romania. It is well known that the gross domestic product (GDP) is made up of private consumption, gross investment, government spending, plus exports minus imports. Moreover, private consumption is considered as having the highest proportion in the GDP. From here we can deduct that a country with a larger population will automatically have a higher GDP. For this reason the two countries mentioned cannot have the same economical level nor the same forecasted course of events of economical growth.

As foreign direct investments (FDIs) are concerned, Romania and Bulgaria are either placed neck and neck [8] or the latter outperforms the first country [9]. According to the Financial Week Newspaper, Bulgaria seems to have become a more attractive country to investors than Romania as in 2010 almost 300 companies decided to relocate their headquarters in Bulgaria [10]. Low tariffs and taxes and also the stability of fiscal legislation seem to be two of the most relevant reasons in this case. Likewise, lower workforce costs, lower prices of assets and rents and a minimum capital for setting up a company of one euro add to the list. Nevertheless, numbers show us a different situation, such as official sources argue, Romania gaining in the first eight months of the current year 1.13 billion Euros (1.55 billion dollars) of foreign investments, five times more than Bulgaria, shaking from its very foundation the myth that our neighbors are more attractive in the eyes of foreign investors [11]. Most certainly, Romania should be placed next to countries such as Poland and the Czech Republic, our country ranking third from the point of view of FDI's evolution, such as official sources state [12].

In this context of globalization we consider necessary to show how Romania's gross domestic product depends on the amount of foreign direct investments (FDIs), the same pattern being applied to its "twin" country, Bulgaria. Thus, we have chosen the linear regression, recording two variables between which there is a logical connection and which are made up of ten successive terms. The data used for Table 3 can be found in The World Bank Data Catalog [13].

In what concerns the methodology used, we have chosen the Microsoft Office Program Excel. The estimation of coefficients from a linear model using the method of least squares and the calculation of statistics necessary to associated statistical tests are being executed with the help of the regression procedure, one of the most complex functions of Excel. The table below has the purpose of highlighting the case of Romania following the data from Table 3.

The function yi = a + bx + ei can be written with the help of the following system of equations

$$na + b\sum x_i = \sum y_i$$

$$a\sum x_i + b\sum x_i^2 = \sum x_i y_i$$

Table 3: The value of foreign direct investments and the gross domestic product per capita between 2001 and 2010 (Romania)

Years	**GDP / capita (y_i)***	**FDI (x_i)****
2001	1,816	1.1570
2002	2,102	1.1440
2003	2,737	1.8440
2004	3,481	6.4430
2005	4,572	6.4822
2006	5,681	11.3934
2007	7,856	9.9250
2008	9,300	13.8830
2009	7,500	4.8460
2010	7,538	3.4530
Total	**52,583**	**60.5706**

** The value of the GDP per capita is in dollars*

*** The value of the FDIs is in billion dollars*

where n is the number of pairs xiyi and equals with 10, a and b are the coefficients of the regression function, while e is the value of the residual variable. Once the calculations are done, we obtain the following values: a = 2644.871723, b = 431.468189. Thus, the function reveals itself as being yi = 2644.871723+ 431.468189xi + ei. Because b>0 (b = 431.468189) we can see that there is a direct connection between the two variables. In other words, when foreign direct investments increase with one unit, the gross domestic product per capita increases with 431.468189 dollars (or at each billion dollars of foreign investment the gross domestic product increases with 431.468189 dollars).

In order to accept the linearity hypothesis we calculate the coefficient of linear correlation: r = cov(x,y) / (σx * σy) = 0.714774778. This coefficient, being defined on the interval [-1;1], indicated a medium intensity connection between the two variables.

Table 4: The summary output of the regression function for Romania

SUMMARY

Regression	
Multiple	0.714
R Square	0.510
Adjusted	0.449
Standard	1997.
Observat	10

ANOVA

	df	*SS*	*MS*	*F*	*Signifi*
Regressi	1	3335313	3335	8.35	0.0201
Residual	8	319295	3991		
Total	9	652827			

	Coeffi	*Standa*	*t*	*P-*	*Lower*	*Uppe*	*Lower*	*Upper*
Intercept	2644.	1102.92	2.39	0.04	101.534	5188.	101.53	5188.2
X	431.4	149.256	2.89	0.02	87.283	775.6	87.283	775.65

The verification of the model's credibility is done using the dispersion analysis. The Fisher-Snedecor test indicates that the results are significant for the significance threshold of 5%. Consequently, as significance F is 0.020175, which is lower that the significance threshold, we can see that the results are significant. It can also be demonstrated that, in the case of a linear connection, the correlation ratio equals the correlation coefficient. Thus, taking into consideration that the determination coefficient (R2) is 0.510902983 and it represents the square value of the correlation coefficient, the correlation ratio becomes equal to 0.714774778, a number equivalent to the correlation coefficient.

For checking the significance of the correlation ratio we used the Fisher-Snedecor test: F calculated = [(n-k-1)/k] * [R2/(1- R2)] = (n-2) * [R2/(1- R2)], R being significant if Fcalculated >> Ftableα; v1; v2. In our case, Fcalculated = 8.35 >> F0,05; 2; 10 = 5.19. Because the correlation ratio is significantly different from zero, with α = 0.05, we reach the following econometric model: ŷt = 2644.871723 + 431.468189xt.

In other words, the modes describes correctly the dependence between the two variables, explaining 51.09% of the total variation of the dependent variable, that is the gross domestic product per capita is due to foreign direct investments in proportion of 51.09%. Last but not least, the normality hypothesis can be reviewed with the help of a graphic, having the adjusted values of ŷt on the abscissa and the residual values of ei on the ordinate. According to the graphic below, it can be depicted that the empirical values of the residual value can be inscribed in a constant band (tα; v*standard error, where t0,05; 8=2.31 and se=1997.798) built with a significance threshold of α = 0.05, while errors' normality hypothesis can be accepted only at this significance threshold.

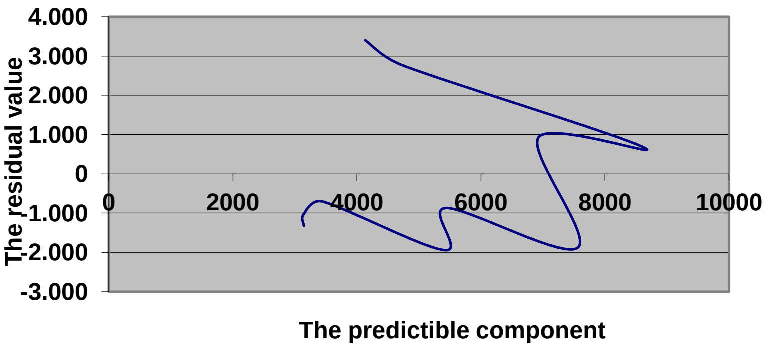

Figure 1: Verification of the normality hypothesis using the standard error

We consider interesting to do a comparison of these results with those obtained from the case of Bulgaria (Table 6). The data was taken once more from the World Bank Data Catalog (Table 5). Following the same steps as the ones used so far, we have the subsequent function: yi = 3058.284+ 257.1444xi + ei. As b=257.1444>0, we can see again the direct connection between the two variables. Consequently, when the foreign direct investments increase with one billion dollars the gross domestic product increases with 257.1444 dollars per capita. Moreover, the correlation coefficient (0.572142) shows a medium intensity connection, while the determination coefficient (0.327347) suggests that GDP's variation is influenced only in proportion of 32.73% by the FDIs. This situation is created because, in Bulgaria, foreign investments have a low involvement and the economic growth cannot attract FDIs. That is why the few investors are interested in factors such as low workforce costs and nondiscriminatory and attractive legal framework.

Table 5: The value of foreign direct investments and the gross domestic product per capita between 2001 and 2010 (Bulgaria)

Years	**GDP / capita (y_i)***	**FDI (x_i)****
2001	1,753	0.8129
2002	2,031	0.9046
2003	2,642	2.0967
2004	3,249	2.6622
2005	3,733	4.3124
2006	4,313	7.7576
2007	5,498	13.2145
2008	6,798	9.9791
2009	6,403	3.3892
2010	6,325	2.1675
Total	**42,745**	**47.2970**

** The value of the GDP per capita is in dollars*

*** The value of the FDIs is in billion dollars*

In the end we should not forget that Merrill Lynch called Romania the most attractive country for investors in Europe [14] and the forecast is valid till 2019. Therefore, the main poles of attraction are the automobile industry, represented by Renault and Ford, and the IT sector where specialists can be found very easily, the second language at Microsoft in America being Romanian.

Table 6: The summary output of the regression function for Bulgaria

SUMMARY

Regression	
Multiple	0.572
R Square	0.327
Adjusted	0.243
Standard	1640.
Observat	10

ANOVA

	df	*SS*	*MS*	*F*	*Signifi*
Regressi	1	104759	1047	3.89	0.0839
Residual	8	215267	269		
Total	9	320027			

	Coeffi	*Standa*	*t*	*P-*	*Lower*	*Uppe*	*Lower*	*Upper*
Intercept	3058.	805.62	3.79	0.00	1200.5	4916.	1200.5	4916.0
X	257.1	130.323	1.97	0.08	-	557.6	-	557.67

Conclusions

Traditionally politics has been undertaken within national political systems. National governments have been ultimately responsible for maintaining the security and economic welfare of their citizens, as well as the protection of human rights and the environment within their borders.

With global ecological changes, an ever more integrated global economy, and other global trends, political activity increasingly takes place at the global level.

Globalization is much like fire. Fire itself is neither good nor bad. Used properly, it can cook food, sterilize equipment, form iron, and heat our homes. Used carelessly, fire can destroy lives, towns and forests in an instant.

Last but not least, it can be asserted that an important environmental change in the last 15 years represents the globalization upon business. Companies try to venture beyond national barriers in the pursuit of business challenges. Government policy and even regulation reforms and growth have also encouraged the development of this trend. Thus, in the 21st century, the business environment seems to be the first emphasized on knowledge as a competitive key-element within globalization.

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