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THESIS - Summary

Globalization – The transformative paradigm of the international economy

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Introduction

Globalization is a multivalent process of the modern world that ranges from chance to torture. With roots reaching down to antiquity or even earlier, it is rooted and uses as catalysts the intrinsic human characteristics, such as competitiveness, the desire for progress and development, exacerbated by greed sometimes, and not least the desire to conquest.

In the PhD thesis entitled **Globalization – The transformative paradigm of the international economy**, we aim to highlight the transformative role of the globalization process, as it derives from the economic, political and social environment of the past 15 years, as multidirectional force acting on national economies, viewed on a global scale.

Based on these reasons, I propose to answer three fundamental questions which I consider fundamental, namely:

- I. What are the most important and relevant definitions and theoretical approaches regarding globalization?
- II. What are the main global transmission channels?
- III. How can we quantify the effects of globalization?

The general analysis framework is based on ideas of the transformativiste thesis which states that globalization is a historical process involving new transformation and global stratifications, where communities or countries are becoming more involved in the global order, while others are left behind. Globalization reorganizes traditional models of economic development, thus old categorization such as North-South, developed economies and the Third World countries are becoming obsolete.

The thesis is structured in two main parts, entitled *Ars teoretica* and *Ars empirica*. The first part is divided into four chapters and targets

conceptual elements regarding globalization, transnational companies and FDI flows.

The second part of the work encompasses three published empirical studies and are centered around on the statistical analysis of the impact of globalization on the international economy, by resorting to instruments as the annual growth rate of gross domestic product, international trade flows, investment flows FDI, unemployment, KOF index etc.

Part I – *Ars theoretica*

Theoretical approaches regarding the concept of globalization

A major milestone in the debate regarding the definition of globalization can be 1983, when, it seems, the term "globalization" was coined. In *The Globalization of Markets* (1983), Theodore Levitt uses this word to characterize changes which had occurred in the global economy in terms of the rapid diffusion of production, trade, investment and technology.

For Jagdish Bhagwati (2004) economic globalization represents the integration of national economies into the international economy through trade, foreign direct investment (made by transnational companies), short term capital flows, international labor flows and technological flows .

The nature of the transnational firm in a global economy

In addition to the global financial system, perhaps the most common picture of economic globalization is the transnational corporation or company. They are huge corporate empires, spread across the globe, presenting turnovers equivalent to or greater than the GDP of many countries.

But what does a transnational company actually represent? John Dunning underlines the fact that a multinational or transnational firm is a company that engages in foreign direct investment (FDI), owns and controls the activities of added value in more than one country (Dunning & Lundan, 2008). This definition is widely accepted in the academic and economic environment and represent a starting point for this research.

Foreign direct investment - Vectors of globalization

Nunnenkamp (2002) believes that there are two effects as regards to the globalization - foreign direct investment relationship. First, potential host countries are analyzed more rigorously by investors, targeting issues like financial and fiscal policies favorable for entities with foreign capital, economic legislation, the degree of development of communication routes (road, rail, naval, aero-naval) and telecommunications, education level of the population and the degree of professional qualification, cultural and ethnic perspectives etc., in order to determine the quality of the national economic, political and social environment, in order to perform a future investment.

Secondly, there is a change of perspective regarding the traditional determinants of FDI. For example, the size of national market is no longer a defining part in the selection of a new host countries, being surpassed by elements such as cost differences between locations, infrastructure quality, ease of opening and running a business, labor quality etc.

Part II – *Ars empirica*

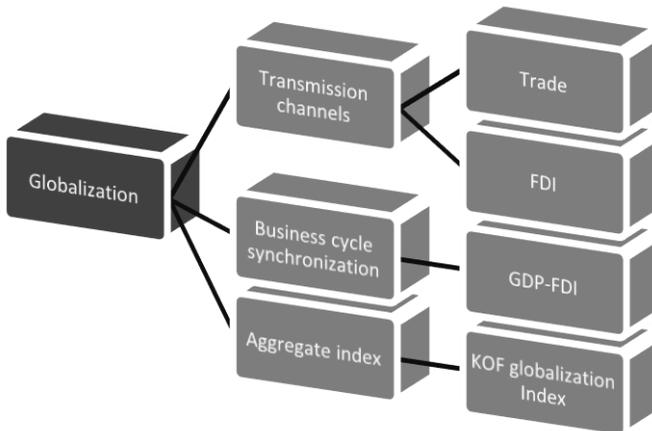
Introduction

Described by the international literature as the most complex and dynamic process of the last 50 years, globalization is the focus of many researches, debates and polemics. One of the main problems is to develop and implement alternative methods for evaluating the effects and risks of globalization on the international economy, given that a direct approach raises many difficulties.

From this point of view the main objective of the three studies that form the empirical part of my PhD thesis is the analysis of the transformative impact of globalization on the international economy over the last 20-25 years, using indirect methods of quantification.

A picture is worth more than 1000 words. I have always liked this phrase and I find it appropriate for a clear and concise explanation regarding the motivations that led to the development of these three statistical studies.

Proposed analysis methods for estimating the impact of globalization



As underlined in the figure above, in this scientific approach I intend to tackle the issue regarding the transformative the impact of globalization on international economy based on three directions. First I wanted to examine how the main transmission channels of globalization (i.e. trade and FDI) operate.

In the second study, I employ the concept of business cycle synchronization as the main analysis instrument, which I consider is in a bi-directional and permanent relationship with globalization.

Finally, I develop an analysis based on a composite indicator, the KOF globalization Index, in order to demonstrate the impact of globalization on economic and social welfare.

Study I. Globalization vectors. Case study – Europe 1992-2013

The aim of this study is to statistically estimate the efficiency of of trade and foreign direct investment transmission channels in Europe, in order to offer explanations regarding the different patterns of convergence between national economies. The paper uses panel data analysis for the two composite vectors (*GDP*, *FDI_in*, *FDI_out*) și (*GDP*, *Imports*, *Exports*).

The results of the study highlight a unidirectional and continuous relationship between net outgoing flows FDI and the annual growth of GDP, as well as a bidirectional link, but delayed for a short period of time (at most two years) between FDI inflows and economic growth of the host country, which may be explained by diffusion of imported technologies, marketing and management know-how, and a better professional qualification of individuals.

Study II. Quantifying global effects on regional economic structures, via business cycle synchronization. A fuzzy cluster analysis.

The study aimed to estimate business cycle synchronization, perceived as a result of globalization, based on the relationship between the growth rate of GDP and inflows and outflows of foreign direct investment (FDI), considered as a percentage of GDP. The motivation for choosing FDI as the independent variable is based on the fact that these types of investments have long replaced trade flows in the international literature contemporary as determinants of globalization and the correlation of business cycles at trans-national, as well as the fact that they depict a prolonged time-effect (2-3 years) in host countries.

The results of the research corroborate with findings from previous studies conducted on globalization and business cycle synchronization, such as that in the central and Eastern European countries FDI inflows determine economic growth and a higher degree of synchronization. In addition, the work supports the views of previous studies in the literature regarding Asian economies, namely that they have registered different business cycle patterns as opposed to OECD countries, and also that the recent economic crisis has become more synchronized with the macro-cycles in the global economy.

Study III. E.U. economic vulnerability. Implications of KOF globalization Index.

The purpose of the research is to study the relationship established between the KOF index of globalization and economic growth, to prove that countries with low levels of the index tend to be more vulnerable in times of economic crisis.

The results of the study have provided a number of interesting ideas, especially regarding the relationship between globalization and sustainable economic development. It was observed that the analyzed countries are divided into two main groups, namely developed and developing countries. As regards to the first group of states, we can say that, on average, they have registered growth rates higher than the sample average for the entire period of analysis. On the other hand, the second group registered average or low values for GDP growth rates, but these countries have high scores index of globalization. The study highlights the fact that globalization does not automatically imply growth and reduction of poverty and social disparities.

Conclusions

The phenomenon of globalization is very often synonymous with **internationalization, liberalization, universality, westernization, or modernization**. In the light of this scientific approach, I believe that globalization represents an integration process for capital, technology and information across national boundaries, which transforms the contemporary society fundamentally.

The purpose of the PhD thesis entitled **Globalization – The transformative paradigm of the international economy** was to highlight the transformative role of the globalization process, as it derives from the economic, political and social environment of the past 15 years, as multidirectional force acting on national economies, viewed on a global scale

From the perspective transformativiste thesis, we considered that globalization is contradictory and evasive, imposing new global stratification, so we are talking about leading and following or satellite states. This

perspective largely confirms the **H1** hypothesis, namely that globalization is a natural transformation process of the human society.

Modern times have brought only a new approach regarding the globalization concept, which was complemented by an appropriate institutional framework through the establishment of international bodies having peacekeeping purposes, growth and regulatory practices deemed beneficial to society. This confirms the **H2** hypothesis, namely that the process of globalization is not a result of the 20th, but it has a millennial history.

While acknowledging the importance and capacity for innovation and development of transnational companies and the role of the main vectors of globalization that they play, we consider essential to draw attention to the fact that it has a strong rival, namely small or medium businesses born to be global. It is those companies which expand their activities internationally soon after the founding, proving a greater capacity for innovation, flexibility and adaptability to the requirements of international markets. So this perspective that denies the validity of this **H3** hypothesis.

Results of the studies have revealed three core ideas.

- I. FDI flows are a catalyst of national economic growth.**
- II. The process of globalization and business cycle synchronization depict a permanent bidirectional relationship.**
- III. Globalization induces economic growth, but the quality of the national economic environment also plays an important part.**

I believe the research I have conducted has achieved the proposed objectives and has tested the hypotheses validity. At the same time I consider

that the results of research confirm the importance of analyzing the process of economic globalization, offering future reseach directions.

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