

IMPLICATIONS OF GLOBALIZATION ON THE WORLD ECONOMY

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One of the issues of maximum interes to our century is the analysis of implications of globalization on the world economy and this proves to be even more important now in the middle of financial crisis. Forecasts from the World Bank are very optimistic on achievemen sot, we wanted to emphasize that opimiste feedback on the evolution of the global economy even when the crisis started in America to carry roller. If globalization is responsible for most of the generating causes of the crisis remains to be analyzed in the paper where I tried also to propose some measures that make it necessary to work for all the world countries, both developed and developing.

Keywords: globalization, crisis, developed countries, developing countries

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To have power, being powerful is the desire of the moment, more than ever. Ways to obtain power, however, differ, depending on the elements and tools available⁷⁵.

The phenomenon of globalization is and will continue to be at the center of the economists preoccupation and in the future is very important to analyze the implications that they generate, and will generate at the level of world economy as a whole and on different categories of countries.

Peter F. Drucker, the "father of management," says: "the best way to predict the future, is to create it". Starting from this premise, the World Bank, in the report, Global Economic Prospects - Managing the Next Wave of Globalization⁷⁶, conduct an analysis of the phenomenon of globalization and its influence in the coming years.

According to the report, population growth will be vital for future global events. Current world population of 6.5 billion inhabitants, is expected to reach 8.0 billion by 2030, with an average growth of 60 million people annually. Over 60% of this increase will occur in developing countries. Both, the European Union and Japan⁷⁷ are expected to decrease in population and increases in most developed countries are based on the migration phenomenon. The population of the largest countries of the world, China continues to grow but at a pace lower than in other developing countries. With a growth rate much faster, India, will certainly exceed China, becoming the most populated country of the globe. Labor worldwide will increase from just over 3 billion, and is currently at 4.1 billion in 2030, with a growth rate higher than population growth. Globalization and economic growth will have an uneven impact, resulting in structural changes, loss of jobs in certain sectors and regions and remain behind the savings. Increased per capita income on average by 3.6% per year, what will happen in developing countries, will be unequal regions, with higher values in South Asia and Eastern Europe. That income distribution will be characterized, further inequality, being influenced by equipping households but also by sectorial

75 Gica Gherghina Negrea (Culiță) – South-South Cooperation (PhD Thesis), Tribuna Economică, Bucharest, 2007, Introduction.

76 www.worldbank.org/gep2007

77 From 128 millions in 2005 to 117 millions in 2030.

changes caused by migration from rural to urban areas or from countries with low incomes to those with high incomes.

As regards employment, it is expected that the segmentation of the labor market of the agricultural and non-agricultural (especially for unskilled workers), due to urban migration from the rural areas in search of jobs paid better. This will cause an upward trend of wages in rural areas, exceeding the growth rates of urban employment, a phenomenon that would not occur in the absence of rural-urban migration. The report suggests that this would be the determining factor of decreasing the share of workers in agriculture in the horizon 2006-2030, from 51% today to less than 35% in 2030⁷⁸. Due to population growth, this means only a slight decrease of agricultural labor, but an increase of over 1 billion people of the city.

Another problem in determining income distribution is changing so-called "primary qualification" (skill) which, according to the report, shall be determined by reporting wage skilled workers in the unskilled workers. According to study authors, the share of skilled workers is approximately 32% in developed countries and only 10% in those in development. It is expected, also an increase skilled workers.

The report estimated about Millennium Development Goals, global poverty will be reached in 2015 at 11.8% versus 20.2% in 2003. It provided that purpose, was somewhere below the 14%. Poverty will be reduced in most regions, except Sub-Saharan Africa. Until 2030, the percentage of those who live under \$ 1 per day would represent nearly 8% of the population in developing countries, ie almost 55 million people and world production will increase from 35 trillion dollars in 2005 to 72 trillion dollars in 2030 (at the exchange rates and constant prices), with an average increase of 3% - more specifically, 2.5% in high income countries and 4.2% for developing countries. However, incomes in developing countries in 2030 will represent less than one fourth that of the developed countries. This would mean that countries such as China, Mexico or Turkey, will have an average standard of living of Spain today.

It predicts that, despite population growth, the number of people living in absolute poverty - with less than \$ 1 a day - will reach 550 million, from 1.1 billion as at present. Similarly, the number of people living with under \$ 2 per day can reach from 1.9 billion to less than 800 million inhabitants. In conclusion, it is considered that poverty will decrease, despite population growth.

Developing countries, once considered as "periphery" of the global economy, will become the "engine" of the global economy. Share in world production will increase from a fifth currently in third in 2030.

Global economic integration will enter a new phase. The share of trade in GDP in all developing economies will increase and services will be the most dynamic in the next 25 years.

One of the problems facing humanity already, and it appears that will have an important impact on the world we live in 2030, is the degradation of the environment. If income inequality and poverty is central to debates about the effects of globalization, the issue of energy and environmental impact of carbon should not be neglected, because the long term may increase overall problems. Lost from sight during the 90's and early 2000, the energy returns to attention, with reported increases in oil prices, and with the alarming manifestations of global warming. In our country, moreover, can be observed in recent years, but especially this year, very high temperatures for the winter, even with more than 7 degrees Celsius, compared to previous similar period.

In terms of future economic growth, averaging 3% per year, a growth of energy consumption with an average of 2% per year. It is assumed that this growth will generate more than one price increase of 1.4% per year. Demand for gas, tends to increase, exceeding the one for oil and coal, as the policies and technologies tend to focus to the less polluting fuel. As a result, noted the

78 Gica Negrea (Culiță) – Globalization – long term forecasts of the World Bank, Tribuna Economică, nr. 8-2007.

attempts of Russia, the country with the largest reserves of gas and the main supplier of the European Union not only to increase the price of methane gas. Renewables (wind, the tides, solar, etc..) and nuclear energy, tend to increase the share in consumption, but are far from able to meet requirements. Adoption widespread need imposed by the introduction of charges for the use of polluting fuels and stimulate investment in energy technologies, to facilitate their use.

Stagnation or even decrease in production in developed countries and growth in developing countries will lead to changes in trade in fossil fuels. The effect will be produced mainly as a result of selling of highly-polluting technologies from developed countries to developing ones, that are enjoying now the "unconscious" benefits of industrialization.

Of course, these forecasts may be affected long term by a series of internal factors, especially macroeconomic policies chosen and external – like world crisis. The authors report helps ensure that it took into account the influence of periods of recession, regional conflicts or crises similar to those with which the world has faced over the past thirty years. Proved that the world economy has increased during 1980-2005, despite some major events: the crisis of external debt of countries in Latin America, the disintegration of the Soviet Union, the Asian crisis and the tragedy of 11 September 2001. These events have had only short-term effects on global growth and have very little influence on the evolution of the phenomenon of globalization of the economy. Unfortunately, the situation had thought might be even better than forecasted, taking into account the possible discovery and implementation of technology and innovation business, which could accelerate globalization.

But now the world faces one of the biggest world crises. This was not foreseeable by any company profile and so the global confidence in these companies dropped a lot. Predictions seem to crash, pessimism overtake the most optimistic of analysts and lack of trust prevails.

In conclusion, the world in 2030 will depend on the choice of the Member: will choose managed globalization or direct it. To be prepared to We are the economic policies required to bring "poor world" on the road to economic growth through investment in education, infrastructure, human resources development, by accepting change, not through resistance to change.

Necessary so the following measures:

- and increase the grant amounts provided as development assistance to mitigate the negative effects of globalization;
- global trade liberalization in the World Trade Organization, can generate opportunities for poor countries. The most important task in this respect is the resumption of Doha Round and achieving an agreement to reduce trade barriers for products in world development, especially agriculture and the intensive manufactured;
- creation and development of international mechanisms to provide the necessary resolve any disputes.

But more important than any measures that would be the world to work together to find solutions to implement them seriously so that the global economic crisis effects to be less negative impact on the countries.

„In this era of globalization, advanced technology and a global economy tripolare, developed countries, in transition or developing - have made an essential - that import substitution is not the solution. It seems that there are solutions which differ Raul Prebisch's view, but offers hope of solving the problems of countries in the periphery of the global economy. Globalization is here and will remain, must accept that, but current world order should be channeled to the developing world, through joint efforts”⁷⁹.

79 Professor Lawrence R. Klein - South and East Asia: Leading the World Economy, 13th Raúl Prebisch Lecture, United Nations Conference on Trade and Development, Geneva, 2 November 2005, pag. 3.

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