



World Economy at the Confluence between Globalization and Regionalization

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ABSTRACT

Due to the enlargement and deepening of connections in various spheres of influence of the economic, political, social and cultural life, the problems occurring in the process of globalization are rather global than national, their solving being carried out globally instead of nationally. Thus, in economic and financial terms, globalization contributes to strengthening and enlarging the connections among national economies in the global market of goods, services and capital. In the paper first part, it is presented the current situation of globalization and the need for development at regional level. In the second part, taking into account that the regionalization process varies from country to country, depending on the economic, social, political, demographic and ethnic situation, we showed an analysis of the European Union's policy of development and cohesion. In the last part, we brought forward the current situation of European development policy, conclusions and views concerning the theme approached.

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1. Introduction

At present, globalization has become an objective process that unfolds with an extraordinarily high speed, including in its sphere all world states. In this context, we considered necessary a deeper analysis of the globalization process and its effects on producers and consumers worldwide. We paid special attention to regional policy, which is a policy of strategic investments and intends to stimulate the economic development of all regions in the European Union and to improve the quality of citizens' lives. Globalization is not a phenomenon without critical situations, banking panic, currency collapse, inflation, foreign capital withdrawal and emergence of social movements that lead to crisis outbreak. In this context, it is very important to prevent such situations through an analytical study of the crisis periods, which may occur during the process of globalization.

Economies orientation more and more towards foreign goods and capital in order to be found the best opportunities for profit, has led to the occurrence of phenomenon called "globalization". Thus, organizing production at global level and speeding the movement of information led inevitably to an exponential increase of exchange among countries. In this context, dozens of companies implanted capital in various geographical areas with high economic potential and the cheapest labor with a view to obtaining considerable economic advantages. Among the international movements of capital are distinguished direct foreign investment carried out by companies that want to produce in other countries, and portfolio investments achieved by companies or various speculators looking for niches so as to obtain profit following the exchange rate variation and from world stock exchanges.

Such rapid growth in the international trade of goods can be also justified by the unprecedented development of large multinational companies (Ford, Coca-Cola or IBM) which organize their production process internationally, in the place where workforce is cheaper and markets are wider.

It has been noticed that goods and capital are moving much faster than people, though migration should be considered with particular attention to the extent that it reflects certain economic perturbations at planetary level. The chance to benefit from a job with a salary of 15 to 30 times higher than in their country of origin is inducing citizens from less developed countries to make every effort to expatriation. The percentage of foreign origin workforce in working population differs widely from one region to another. For example it is higher in the United States compared to the European Union and remains very small in Japan.

Following the appearance of this phenomenon, the least developed countries fail to cope with the foreign competition and look for various methods of intervention in the economy in order to ensure a high degree of economic and social protection. Thus, due to the economic interaction, interdependencies and relations more and more pregnant, any process or phenomenon occurring somewhere on the planet leads to effects with more or less influence on the world economy. This process of globalization occurs at a speed

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increasingly larger and along with the growth of this phenomenon, at the same speed, new and new characteristics appear, being real challenges, some anticipated, others not, facing the achievement of this complex and ample phenomenon named globalization.

2. Globalization process – the institutional framework

This process of globalization is certainly analyzed and construed by specialists, both in a positive and negative manner, thus being expressed not only the advantages, but also the disadvantages of globalization. In addition to these pluses or minuses of globalization have also been analyzed in-depth the critical situations of crisis that occurred sometimes unexpectedly, so that it is very important to be prevented such situations through an analytical study of the crisis periods that may arise along the globalization process.

From my point of view, globalization cannot be accomplished only through an expansion of trade among states, but mostly this issue is the beginning of a new era and is based on quantitative and qualitative procedures intended for annihilating old paradigms and bringing unprecedented exchanges at global scale. Globalization is based on a well adjusted market of production, distribution and consumption, a market which is strengthened through the participation and contribution of all national economies to obtaining a common, global market. For a better monitoring of the globalization process, an efficient counseling and assistance to countries whose adaptation in the global economy shows a multitude of difficulties both for the state in its individuality, and for the global system in its entirety, there have been set up various international economic and financial institutions, with clear, well defined tasks and purposes. Thus, among the actors of globalization can be mentioned:

- World Bank, a group made up of five bodies, respectively:

- IBRD, the International Bank for Reconstruction and Development which was founded in 1945 and has as main purpose poverty decrease in intermediate-income countries and in poor countries through development of loans, guarantees and potential free counseling. At present has 188 member countries owners of the Bank's capital, the funds lent being usually obtained from the international financial markets through bond issues;
- IDA, the International Development Association which has been established in 1960 and has as main objective the granting of interest-free loans to the poorest countries following the contributions of the richest states;
- IFC, the International Finance Corporation owned by 186 member countries that has been set up in 1956 and is the largest institution for global development, focused exclusively on the private sector from the developing countries;
- MIGA, the Multilateral Investment Guarantee Agency which insures the foreign investors who finance projects in the developing countries against losses related to non-commercial risks;
- ICSID, the International Centre for Dispute Settlement of Investment which organizes conciliation and, where applicable, arbitrates potential conflicts initiated among foreign investors and states where investments have been made;

- IMF, the International Monetary Fund with 186 member countries that was established in 1944 with headquarters in Washington and works effectively following the ratification of statutes from December 1945.

Among its objectives entered in Article 1 of the Statute are included:

- encouraging the international monetary cooperation;
- facilitating the world trade;
- exchange stabilization;
- to help establishing a multilateral system of payments;
- to help temporarily countries with difficulties of the payment balance.

For reaching these goals, the IMF fulfills three main functions: monitoring, technical assistance and crediting and since its foundation, the purposes aimed at by the IMF have remained unchanged but its operations have evolved so as to meet the requirements of the global economy always changing.

- OECD, the Organization for Economic Co-operation and Development with 34 members, members that are states with mature economies, holding over 70% of global production and trade and 90% of the global level of foreign direct investments. On its anniversary of 50 years of existence, in 2011, the OECD has clearly announced the orientation of its activity in four foreground directions:

- to restore confidence in the market by improving the mechanisms which make it work;
- to improve and strengthen national fiscal policies;
- to promote innovation in the economy;
- to turn to account human capital through labor empowerment.

- WTO, World Trade Organization, which was created in 1995 with headquarters in

Geneva following the Uruguay negotiations with 160 member countries. Its main tasks are based on:

- administering the trade agreements signed by its members;
- organizing multilateral commercial negotiations;
- regulating the trade disputes subject to its jurisdiction;

- monitoring trade policies.

Starting with 1995, the WTO replaced GATT, the General Agreement on Tariffs and Trade, as a body with tasks of supervising the multilateral trade system. Other actors of globalization with regional implications are the North American Free Trade Agreement, the Southern Common Market, the Association of South East Asian Nations.

- NAFTA , in English: Nord American Free Trade Agreement – an agreement established in 1994 through signing by Canada, United States and Mexico. This agreement has in view the gradual elimination of tariff and non-tariff barriers among members, as well as harmonization of the movement of capital, services, intellectual property and competition. It also enables Canadian and Mexican citizens to benefit from employment in the United States under certain conditions as previously established in the agreement.

- MERCOSUR , the Southern Common Market created in March 1991 is composed of Argentina, the Federative Republic of Brazil, the Republic of Paraguay, the Oriental Republic of Uruguay, the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia, the last acceding to this common market. The MERCOSUR's purpose is to integrate member states from the South American continent based on the free movement of goods and services by adopting a common commercial policy and establishing a common external tariff.

- ASEAN , the Association of South Eastern Asian Nations which was set up in 1967 in Bangkok, Thailand, along with signing of the ASEAN Declaration (Bangkok Declaration) by the ASEAN founders, namely Indonesia, Malaysia, Philippines, Singapore and Thailand, currently being ten member states with the central goal of creating a free trade area and favoring foreign capital. The economic integration of states through their membership in an unified and integrated partnership has led to the emergence of communities for social and economic development which generally aimed at using with maximum efficiency their economic and technical capacities, upon the conditions required by the evolution of modern society.

Thus following the proposal of Robert Schuman, the French minister of foreign affairs on 9.05.1950, at the initiative of Jean Monnet, it is brought in common the steel production and consumption between France and Germany, within an organization open to all countries from Europe. It is thus established through signing the Treaty of Paris on 18.04.1951 the European Coal and Steel Community (ECSC), the founding countries being France, Federal Republic of Germany, Italy, Belgium, Luxembourg and the Netherlands. By signing this treaty it is enabled the free movement of coal and steel among the signatory countries. This is the birth certificate of the European Union through which it has been institutionalized the ambitious desire regarding the free movement of goods, people and capital inside the Union, as well as the adoption of a common policy in relation to the rest of the world.

3. Policies for Regional Development and Cohesion in the European Union

Once obtained the status of full rights member of the European Union of Romania on 1 January 2007, our country directed towards a complex process of Europeanization, a process of building common procedures, beliefs and rules of development. The European Union achieves a permanent connection among Member States, among it and them, all based on solidarity, fact that leads to a better fulfillment of the objectives incumbent pursuant to Article 3 from the Maastricht Treaty signed on 7 February 1992, respectively:

- „Furthering a balanced and sustainable economic and social progress, particularly by creating an area without national borders, through strengthening economic and social cohesion and through the establishment of an economic and monetary union based on a single currency;
- affirmation of its identity at international level, in particular by promoting a common foreign and security policy, including by defining a common defense policy;
- strengthening the protection of rights and interests of the Member States' citizens by establishing a federal citizenship;
- developing a close cooperation in the field of justice and domestic affairs;
- Maintaining integrally the Community achievements and their development ☐.

Underlying the process of European Union building is the Member States' will to collaborate with common development interests, fact that led to the belief that in this way can be reached favorable results, much better at European level than at national level. This was the premise of instituting common policies of the Member States, policies that have been developed and adopted by the Community institutions that were subsequently applied throughout the Union.

The existence and application of these common policies highlight the acceptance of conceding a part of the Member States' sovereignty towards the European institutions, which confers uniqueness to the Union. Common policies, their establishment and enforcement are carried out based on the fundamental values, among which the most important are freedom, solidarity, tolerance and human rights, democracy and state subject to the rule of law. Each individual state joined the European Union with its own set of values, this being subsequently influenced in the medium and long term due to the intensification of contact with the

European citizens. Another important change factor is the change of generations, enforcement of European legislation, political, social and economic development. This change in time of the national values is not the loss of identity values, but rather their shaping in a positive manner, by contributing to the European values diversity.

The European values are principles underlying the actions of individuals, principles that form in time through the communion of Member States' citizens in the European area. The cohesion policy has a strong impact in many areas, coming to complement EU policies such as education, employment, energy, environment, single market, research and innovation, thus contributing to the fulfillment of main objectives of the European policy. By 2020, the EU aims to achieve certain concrete goals – concerning the employment, innovation, education, social inclusion, climate and energy. Each Member State has adopted its own national targets in these areas.

For cohesion policy there have been allocated 351.8 billion euros for 2014-2020 (see Figure 1) in order to fulfill the various needs that emerge in all regions of the European Union. For financing from the cohesion policy, the European Commission is collaborating with Member States and regions with a view to elaborating agreements of partnership and operational programs, which would show broadly the priorities for investment and needs of development.

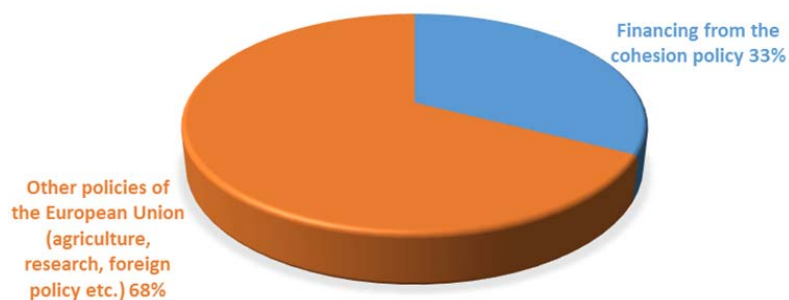


Figure 1. Overall budget of the European Union for 2014-2020, total 1082 billion Euros

Source: www.ec.europa.eu/esif

In this context the management authorities of the Member States manage programs and select foreground individual projects. The cohesion policy goals are achieved through three main funds, respectively:

- ✚ European Regional Development Fund (ERDF) , which aims to strengthen the economic and social cohesion at regional level by investing in sectors that increase growth in order to generate a higher degree of competitiveness and creating jobs. Also, the ERDF finances the projects of cross-border cooperation. The European Regional Development Fund has as central objective to provide financial support in order to remove the main gaps among the development levels of the various regions. All actions undertaken through this fund focus on the enhancement of economic potential and especially on maintaining employment in the selected regions. A thorough attention is paid to the development of trans-European networks in the field of transport, telecommunications and energy. So through this European fund is intended to finance the investments from declining industrial areas, to support rundown urban areas as well as to revive and integrate rural areas.

- ✚ European Social Fund (ESF), which invest in people, focusing on improving employment opportunities in employment and education. It aims also to support disadvantaged people who are at risk of poverty or social exclusion.

The European Social Fund is the main instrument through which Europe supports creating jobs, helping people to obtain more easily better jobs, ensuring various professional opportunities, more equitable for all the European Union citizens. The Fund focuses on investments in the human capital of Europe, providing support for all those looking for a job, this being in fact the EU commitment to create an society to social inclusion. The European Social Fund plays an important part in reaching the objectives of Europe and in reducing the economic crisis consequences - in particular decreasing unemployment and poverty levels, an economic crisis which further emphasizes the difficulty of this challenge. Thus the European Commission and member states of the European Union establish in the partnership the way of allocating resources, its priorities being, essentially:

- ◆ adaptability of the employees, through training new skills and adopting new working methods;
- ◆ widening access to employment through the creation of a transition range from school to the labor market by ensuring a support for training in order to improve the employment perspectives;
- ◆ vocational training by learning throughout life for the acquisition of new skills;
- ◆ assisting people from disadvantaged groups for access to a job.

This concern is particularly important for enhancing social inclusion - sign of the role that employment plays in supporting people to integrate better into society. In this context, the financial crisis has

doubled the European Union's efforts to maintain invariable the employment process and to help people re-employ in a short time if they lose their jobs.

Consequently, the European Social Fund finances tens of thousands of local, regional and national projects throughout Europe on employment, from small projects up to national range projects promoting the vocational training of the entire population from the Member States of European Union.

✚ Cohesion Fund, which invests in green growth and sustainable development and improves the interconnection in Member States with a GDP below 90% of the EU27 average.

They constitute, together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), Structural and European Investment Funds (ESI). The Cohesion Fund is intended for Member States whose gross national income (GNI) per capita is less than 90% of the European Union average. This takes into account the lessening of economic and social disparities and promoting sustainable development. The Cohesion Fund makes available amounts for activities in the following categories:

- ◆ Trans-European Networks of transport, especially foreground projects of European interest;
- ◆ The Cohesion Fund can also support various projects related to energy and transport, as long as they bring noticeable benefits to the environment as concerns the energy efficiency, use of renewable energy sources, development of railway transport, strengthening of public transport etc.

Generally, based on priorities established by local and regional authorities, the Structural Funds co-finance development programs over a period of several years. These development programs are carried out based on an association among Member States, regions and the Commission. On the proposal of regions, development programs are always presented to the Commission by the Member States. Immediately after the adoption of these programs by the European Commission, they are implemented by national or regional authorities in charge.

The national development programs co-financed through the Structural Funds should focus their resources mainly on the following aspects:

- ◆ increasing the capacity of attraction by cities and regions of the Member States should ensure guaranteeing the observance of environment protection conditions;
- ◆ ensuring a development of research and innovation by encouraging the entrepreneurship and increasing the knowledge economy;
- ◆ ensuring the largest possible number of new jobs, of a better quality that would attract the largest possible number of people on the labor market.

In this context, during the period of projects making and implementation, the regions and Member States should take into account mainly the respect for environment, the observance of the principle of equality between men and women and the prevention of any discrimination due to sex, race, religion or age. Consequently, the cohesion policy is the main pillar of the EU investment budget, so that through the European Regional Development Fund (ERDF), Cohesion Fund and European Social Fund (FSE), the European Union provides support to innovative new-established companies, supports the SMEs, creates sustainable jobs, improves skills, fights against poverty, promotes social inclusion, ensures broadband connections in the outermost regions, provides solutions to the problem of brain drain, contributes to improving the environment, forwards energy efficiency and use of energy from renewable sources, strengthens the main transport links and enhances public administrations efficiency.

As concerns the civil society from Romania, it should adapt to the new realities. In the first stages of Romanian democratization, the civil society members have acquired experience in defending democratic values. However, following the accession, civil society should be more than a critic of final analysis, trying to generate public policies and intervene in debates in a professional manner. For a healthy development of the economy at the European Union level it should be paid a particular attention, in addition to the importance and special attention given to Member States, to the European citizens, and, not least, they should be well guided, trained and informed on the changes and evolution taking place within the Community society. The more informed European citizens are, the better they know every detail and future perspectives regarding the rights and obligations incumbent on them for such capacity.

An extraordinarily important thing in the European community is the unity of citizens and their common participation in bringing a considerable contribution to development policies, as well as to economic and social stability and security in the European Union. As in the USA, regardless the state from where a citizen comes, this is called American citizen, for the stability and unity of Europe, each citizen of the European Union Member States should not be called European citizen only theoretically. This banal think at first glance, is an extremely important factor which, if complied with, contributes to the unity of EU citizens and thus are avoided the actions of individualism and nationalism, outbreaks which unfortunately began to come to light in the European area over the last years.

This shows how important it is the European citizen, his education, the special role he plays as an individual for the development, security and stability of the European Union. It is not enough to create jobs, to attract direct investments or portfolio, to raise the standards of living, regional development, all these are

becoming just goals that sooner or later will be fulfilled, but if there is not an educational culture of the European citizen, unfortunately, everything is ineffectually.

Also, the economic and monetary union is a step forward in the process of EU economies integration. Economic and monetary union is based on the coordination of economic and fiscal policies, a common monetary policy, and, not least, on a common currency - the euro. It is obvious that the states accession to the European Union and particularly for the Euro area states, by adopting the European single currency, there have been significant changes in the economic and social life of Member States, changes that have resulted in both positive and negative effects for the Member States. From the foreign currency point of view, there can be appreciated as drawbacks:

- ◆ loss of monetary policy autonomy at national level;
- ◆ loss of the possibility to choose the inflation rate;
- ◆ loss of exchange rate as a tool for removing macroeconomic imbalances.

From the social perspective, once the Member States have aligned themselves to the new up-to-date production technologies and the new requirements imposed by the Community regulations for carrying out production activities, a large part of this field had to adapt to the new conditions.

This has not been accomplished spontaneously, but required a transition period, to which end it started a phenomenon of workforce migration from less developed states towards those from the Northern Europe. This phenomenon will annihilate in time by creating favorable conditions for attracting investments and creating a economic, social and financial balance in the EU.

4. Conclusions

Concluding, we can say that economy globalization ensures for producers and consumers worldwide the possibility to benefit from foreign goods, services and capitals, but this can also be germ preceding the occurrence of an economic and social instability that can seriously affect the economies of less developed countries. Also, globalization is based on the intensification of economic relations, migration of people looking for better wages and, not least, a high acceleration of transactions on the exchange markets, transactions that may destabilize some national economies, particularly those economies of developing countries.

In my opinion, regional economic integration is a key factor in the globalization process, thus creating the institutional and political framework adequate for the world economy liberalization. The state can recognize a regional identity - the region being perceived as a territory considered homogeneous by the state - and can take the necessary steps for the regions to participate in managing their own businesses.

The regionalization can play out both nationally and internationally, the starting point of regionalization being actually emphasized by regional imbalances, in fact by their awareness. This awareness is followed by the intervention of national government bodies or supranational entities having the purpose of decentralization or de-concentration at regional level of activities or competences previously being at central level. The concept of regional integration has become increasingly used by economists, politicians and business people, the more so as currently the question arises for ways of global governance, a governance that should be able to better understand and solve problems occurring worldwide. I do not believe there is anyone questioning the need to review the current system of global governance (system inherited following the World War II) both regarding its objectives and especially the implementation. Yet it should be mentioned that the projections related to a possible reform in the world economy do not overshadow the legitimacy and effectiveness of existing institutions, their hierarchy or ability to organize the solidarity.

The international economy evolution, globalization of trade and capital movements will have to regard directly the diversity of its actors with different rates of development and lives. This diversity which generally is reflected in the demographic, cultural and environmental indices, should be considered as concerns the conditions that economic development has to comply with so that future generations not be kneed by the options of the present.

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