**The effects of the globalization process on developing countries**

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**Abstract**

**Globalization is the process by which the world is interconnected through technology and powerful infrastructure for the purpose of communicating and managing resources. Globalization seems to talk about several vibrant phenomena which ensure two major components. Firstly, they function across national boundaries and secondly, they result in higher incorporation or interdependence of human societies. It is therefore one aspect of development that affects the world in general, from every point of human view. This paper tries to present from a historical perspective, financial globalization is not a new phenomenon, but the depth and breadth of globalization today are unprecedented. The recent wave of globalization has generated an intense debate among economists, attracting both strong supporters and opponents. This paper tries to present a balanced view of financial globalization,outlining the benefits and risks that globalization entails for developing countries and emerging markets. The paper revisits the arguments and evidence that can be used in favor of and against globalization. Starting from here in this paper is implemented analysis and are given answers how today in the era of globalization the economic allocated in the world economy, the causes for the weakness in the global economy and the transformation of power in the world economy.**

**Keywords: globalization, economic power, transformation, international trade, international finance**

1. **Introduction**

Globalization is a process of economic interaction and unity amongst people, companies, and governments of different nations through sustained and open commerce. It is also described as a process primarily driven by international trade and investment. This economic force is substantially aided by both strong political and economic forces that are pushing for the expansion and the creation of strong economic and manufacturing bases on foreign soil. Yet despite its’ many advantages, globalization is also said to contribute to detrimental effects on the environment, on culture, on political systems, on economic development, prosperity, and on human physical well-being in societies around the world. Globalization refers to a process through which national economies are becoming increasingly open, interdependent with other countries and responsive to international economic influences.In the era of globalization, assert, national economies cease to exist because they are subsumed into the international economic system. Production becomes global, corporations become stateless, and national governments can no longer regulate or control these global corporations. Globalization was also influenced by international organizations like the World Bank, the IMF, and the WTO, devoted to increasing trade and development. The result is multinational enterprises (MNEs) with budgets larger than the economies of many countries. The fact is that globalization is underway and that, at least at the present stage, takes place asymmetrically. The different level of economic development of individual countries is probably the International Affairs and Global Strategy reason that many of them cannot be integrated into the global economic trends, i.e. they cannot evaluate the positive sides of the process of globalization or if they do, then that it is to a lesser extent. Another part of countries are outside of the process of globalization or absolutely "lost" in it. Accentuated marginalization in the current stage of globalization is an inevitable fact, because at its core is built model of "market fundamentalism" which, per definitional acts according to the principle centre - periphery id Est produces regional disparities favouring the developed countries and dissimulates the less developed**.**

1. **The economic globalization concept analysis**

The term “globalization” is widely used in various sources of literature. Many authors refer to it in different ways. It is a complex combination of economic, technological, sociocultural, political and other forces. Globalization is not a new phenomenon. It began in the late nineteenth century, but its spread slowed during the period from the start of the First World War until the third quarter of the twentieth century. The process of globalization accelerated during the eighties and is growing and developing ever since. This process has rapidly increase during the last 20–30 years under the framework of General Agreement on Tariffs and Trade and World Trade Organization, which made countries to gradually cut down trade barriers and open up their current accounts and capital accounts. This recent boom has been largely accounted by developed economies integrating with less developed economies, by means of foreign direct investment, the reduction of trade barriers, and in many cases cross border immigration.

Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through transnational trade, foreign direct investment, capital flows, and migration. Economic globalization is a dynamic and multidimensional process of economic integration and whereby national resources become more and more internationally mobile while national economies become increasingly interdependent. This process refers to the reduction and removal of barriers between national borders, in order to facilitate the flow of goods, capital, services and labor.

Financial globalization as a part of economic globalization, is understood as the integration of a country’s local financial system with international financial markets and institutions. This integration typically requires that governments liberalize the domestic financial sector and the capital account.

The first decade of the century witnessed a rare rise and fall in capital markets, both international and domestic, in developed and developing countries alike. To be sure, it is not the first time international capital markets have experienced such booms and busts – two remarkable episodes in the 20th century were lending boom decades preceding the Great Depression and the collapse of the Bretton Woods system in the mid-1970s. The recent episode started in the early 1990s and continued through 2007 with a few interruptions by financial crises that were mostly limited to developing countries. [1]

**3. The international economic relation in condition of globalization as a generator of disparities in the world economy**

In the present level of socio economic development the national borders are too narrow and there is a necessary need for a common global knowledge, appreciation and regulation or dismissal of the issues and problems that concern all countries and peoples, irrespective of the continent where they belong and level of development. This condition occurs as a result of a growing and diverse interdependence between countries in the world and the world economy. The system of international economic relations are regulated in the same way as it is placed before 5 decades, according to the concepts and interests of countries that at that time had primacy in the world economy. [2] When developing countries started to appear on the world stage after the Second World War, they are faced with a system that does not suit to them and a system that exclusively promotes only the interests of developed countries. Today, when major changes are ongoing in the world and in the multilateral cooperation, the developing countries are marginalized on the world political and economic scene. In fact, they are forced to focus their activities to convey to the international organizations that are major promoters of international economic cooperation, such as the World Trade Organization, International Monetary Fund and the World Bank, which is exclusively a function of the developed countries. Although formally all member states agree that developing countries should provide better conditions for development, specific actions in this direction are running hard and with resistance from developing countries. In fact here we talk about really radical views and about deeply rooted principles and rules of the existing system. Let we emphasize the principle of non-discrimination, for example, which is the foundation on which rests the theory and practice of international trade. [3]When developing countries expressed the need, that rule to be not applied in the international trade for the developing countries and to be granted preferential treatment for them, it was seen as a real shock It was estimated that by such procedures will be disturbed the foundation of the system for international trade and that it will lead to discrimination in international trade, and so on. Also underdeveloped countries have never exercised the right to access the markets of the developed countries Subsidies given from developed countries to their producers make them more competitive against products from developing countries.

The conditions in international trade mentioned above strongly reflect the competing interests of countries. These and many other trade issues shook the international trading system and disrupt its stability. Initial efforts for a new conceptualization of the international trading system are made by the institutions that are regulated by international trade relations. These reforms relate to: further liberalization and expansion of world trade to increase the welfare of all countries, especially the developing countries, strengthening the role of the WTO, improvement of the system of multilateral trade on the principles of the WTO, with the goal of enhanced multilateral discipline. However, the practice warns that unless radical changes are implemented in the total socioeconomic relations, it will remain unrealized. Transformations and settings of the WTO and other international organizations that govern international economic relations are WTO constantly transforms, this organization emerged from the transformation of a previously established system of trade relations-The Conference on Tariffs and Trade (GATT) that due to the adjustment of economic relations at the time had to be changed. These changes apply to the policies of the World Bank and the International Monetary Fund as well. [4] The IMF imposes its ruling policy in developing countries, promising them access to capital, if they accept its decisions on monetary, fiscal and trade policy. It is not just advice; it is actually ultimatums which must be accepted in order to gain access to the capital market and to get development programs and funding from the World Bank in the developing countries.[5]These issues are intertwined with the social policy in each country individually. Because of such interweaving in the developing countries internal conflicts occurred also, as well as a loss of power for the governments that their elections were gained in a democratic way. So huge are the efforts for long-term consolidation between the developing countries and international institutions, and these efforts are aimed at addressing of the need for convergence of economic performance as a priority and a necessary condition of finding ways that will provide a significant degree of discipline and coordination for the implementation of national economic policies. Hence, starting from the complexity and conditionality of the total changes in international economic relations, it can be concluded that the resolution of the problems that they are facing, must be sought in a broader context, i.e. to include financial, monetary, trade and technological and developmental structures. Although, today, because of these inconsistencies and conflicts, there is no global development strategy in the long run yet it represents an inevitable perspective. The awareness for the basic cultural values of the new global society will give the model of sustainable development, according to which there should be a place for all, enough space for development and quality of life of all nations and countries with humanization of relations in the world.

1. **Reducing the gap between developed and developing countries today in the era of globalization**

As before and especially today is fact that the power is uneven distributed in the world economy. Based on that here one can conclude that the world power, i.e. worldly wealth is concentrated in one small number of countries. The tendency to deepen the discrepancy in development between developed and less developed countries continues, the ratio based on the level of development, as measured by GDP between developed and least developed countries in 1946, is 10: 1 and today is over 100: 1. [6] On the other hand, global economic growth over the last fifty years has been impressive. That was evident in developed countries which have progressed at a rapid rate, despite the poor countries that are moving forward with slow steps and lag more than in developed countries. In the period from 1947 to 2020 the average per capita, in the world, had increased by approximately ten times, more precisely, the GDP had increased from three trillion to thirty trillion US dollars. However, despite this growth of world output, more than eighty countries have lower per capita today than in 1990. Also, over 25% of the 4.5 billion people in poor countries still have lifespan less than forty years. Also, the average income in the five richest countries in the world is about 114 times greater than the five poorest countries so that this gap is the bigger than ever.[7] Based on the above, our view is that the problem of the discrepancy between the developing countries and developed countries are increasingly deepened as a result of the actions of the process of globalization. In this context it is evident that the world GDP in the twentieth century has increased tenfold in developed countries while in developing countries three times. In fact, the rich countries of the North skilfully, on the best way possible, had used the starting positions in the process of globalization.

Also, for the gap in the development between developed countries and developing countries had contributed the TNCs, on the one hand, and the limiting factors of their development and exponential growth, on the other hand. For several decades the core of the world economy is managed internationally. So financial markets were initially led by the IMF, although they are now decentralized trade is managed through the WTO (formerly GATT); and economic politics is coordinated through G7agencies did not pay attention to what might be regarded as the central problem of the global political economy. [8] The arising between them, the gross differences in income and wealth among its constituent, sub economies and relations of domination and subordination. Growing integration the rich with the poor sub economies has tendencies to stabilize one class system on a global level. In the previous eras international relations of inequality were viewed as unproblematic outcome of the superiority of the dominant forces. In the current circumstances, they often as morally repulsive, and more often as a problematic, in terms of their capacity to undermine the world economy as a whole. The first evidence that global inequality has been viewed as a general policy issue was the institutionalization of theprograms for economic assistance, established separately from the more highly developed countries in the fifties and sixties goals: to prevent specific for human life (such as temporary poverty), to fill the local economic pump with funding such strategic projects (such as dams)or to overcome social and cultural barriers to the development including the introduction of programs for birth control. The financial transfers were often accompanied by teams

Such development assistance was rarely altruistic or controlled by the receiver, it was often directed towards the former colonies and established spheres of influence; and was often associated with military assistance as a way of sustaining of a particular ideological mild in the home-state and was insisted the money from it to be used to purchase products from a donor country. Almost all donors had a clear obligation to maintain markets for manufactured products and the stable low cost profits on the raw materials in the host countries. Assistance had formed part of the spectrum of relations, including trade and debt, between rich and poor countries, which seemed as reinforcement to the global inequality. By the seventies developmental issue generated a crisis of legitimacy in these relations - the requirements for morality, the way that rich countries treat the poor, can no longer be sustained. Hence, from there emerged two social scientific theories that effectively delegitimize this relationship. The first is the so-called SingerPrebishov or structuralism proof. It suggests that rich countries have dynamic economies aimed at technological progress in which corporations and effective unions can keep the prices of manufactured goods.

At the same time, poor countries have weak investment matrices disorganized labour, which means that exists constant decreasing pressure upon commodity prices and there is no incentive for industrial diversity. That creates a consistent trend towards growing parity between manufactured products and raw materials, thereby making development impossible.In contrast, the theory of addiction, as is well known, focuses on the allocation of capital. Namely, proves that those who have capital carefully use the allocation of capital to control the matrix of development of the developing countries. These proves led to a conference sponsored by UNCTAD, to which all states, in principle, agreed to improve upon, establishing balance in the growing in terms of trade, and to the developing countries was given greater power in the bodies of global economic governance. [9] However, few of those goals were realized, so the international economic order, generally, became more untidy and decentralized and in which the position of the developing countries had becoming more unfavourable.

1. **Effects of economic globalization on emerging markets and developing economies**

What is globalization? Does this mean that all countries of the world are becoming the same? Does it mean that individual countries will not be able to make business and trade decisions on their own but will have to consult other countries? If these are the realities of globalization, what kinds of impacts will it have on the way we live? Indeed, the concept of globalization raises many questions and controversial issues.

Some argue that globalization is a positive development as it will give rise to new industries and more jobs in developing countries. Others say globalization will force poorer countries of the world to do whatever the big developed countries tell them to do.

There are several significant effects of economic globalization. Economic globalization is the key factor in the emergence and development of emerging economies. Economic globalization has had exclusive impact on emerging economies’ labor force. The flow of the investment first comes to regions to exploit cheap labor force, but with time, this impact becomes a positive one, as the wages gradually rise. This process also has helped to decrease poverty in emerging markets and developing economies.

One of the main benefits of financial globalization is the development of the financial sector. Financial markets become deeper and more sophisticated when they integrate with world markets, increasing the financial alternatives for borrowers and investors. Financial markets operating in a global environment enable international risk diversification.

The abolition of capital controls in the rich countries means that citizens and corporations of the rich countries can now invest in emerging markets’ economies. Even more importantly, trade liberalization means that emerging market countries’ advantages in the factors of production (abundant land and labor principally) can be exploited.

Financial globalization could, in principle, help to raise the growth rate in developing countries through a number of channels. Some of these directly affect the determinants of economic growth (augmentation of domestic savings, reduction in the cost of capital, transfer of technology from advanced to developing countries, and development of domestic financial sectors). Indirect channels, which in some cases could be even more important than the direct ones, include increased production specialization owing to better risk management, and improvements in both macroeconomic policies and institutions induced by the competitive pressures or the "discipline effect" of globalization. Financial liberalization tends to develop the financial system, enhancing the financing opportunities, reducing the cost of capital, and increasing investment and liquidity.

Financial globalization, in combination with good macroeconomic policies and good domestic governance, appears to be conducive to growth. For example, countries with good human capital and governance tend to do better at attracting foreign direct investment (FDI), which is especially conducive to growth.

The influx of international corporations not only brings positive advantages regarding global financial transactions. Some may emphasize that the multinational corporations may raise education levels as well as the financial health in developing countries, but that only applies to the long term effects of economic globalization. In the short term, poor countries will become poorer and unemployment rates may soar. Automation in the manufacturing and agricultural sectors always follows the appearance of multinational corporations. This lessens the need for unskilled and uneducated workers,thus raising unemployment levels.

Financial globalization can also carry some financial risks. These risks are more likely to appear in the short run, when countries open up. One well-known risk is that globalization can be related to financial crises. The crises in Asia and Russia in 1997–98, Brazil in1999, Ecuador, in 2000, Turkey in 2001, Argentina in 2001, and Uruguay in 2002 are some examples that captured worldwide interest. Financial globalization can also lead to financial crises through contagion, namely by shocks that are transmitted across countries. For example, when two countries trade among themselves or if they compete in the same external markets, a devaluation of the exchange rate in one country deteriorates theother country’s competitive advantage.

Many developing countries need new industries and the jobs these industries bring to improve their economies through globalization, but they do not want to lose their own culture and identity in the process. Many developing countries fear that increased globalization may lead to loss of control over economic and political decisions and may also threaten their traditions, language, and culture. With the predominance of American pop culture as well as political and economic influence around the world, many developing countries see globalization as a form of “Americanization.

**6. Conclusion**

Economic globalization is the increasing economic interdependence of national economies across the world, through a rapid increase in cross-border movement of goods, service, technology, and capital flows. In the last decades, countries around the world have become more financially integrated, driven by the potential benefits of financial globalization.

The recent wave of globalization has generated an intense debate among economists, attracting both strong supporters and opponents. This paper addresses the question of whether the ongoing global fnancial crisis and the process of financial globalization in developing economies and emerging markets are related.

Although developed countries are the most active participants in the financial globalization process, developing countries have also started to participate.

The paper revisits the arguments and evidence that can be used in favor of and against globalization. There are many arguments for and against globalization.The final conclusions is that there are substantial advantages that financial globalization brings: development of financial sector, international risk sharing, expanded liquidity constraints. On the other hand, if financial liberalization is undertaken when a country is not fully ready for it or the processes in financial markets are mismanaged, adverse outcomes occur: excessive risk taking by banks, debt accumulation by governments, financial and currency crises. Because of a high degree of financial cross-linkages contagion effects also emerge .

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