

## GLOBALIZATION AND ECONOMIC IDENTITY

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**Abstract.** *Globalization, as a phenomenon directly associated with the present and the near future, shapes the systems with which human society is currently operating. The multitude of studies on the phenomenon of globalization and its impact on everyday life bring to the fore the various components: cultural, economic, security, technological etc. Regardless of the type of analysis and the domain it refers to, it can be identified that this phenomenon is one that on the one hand uniformises perceptions and imposes instruments that can be used globally and on the other hand generates asymmetries and nonlinear evolutions of different domains as well as entities operating within a domain. Perhaps the most important impact of the phenomenon of globalization is on identity, given that identity is accepted as naturally a predominantly socio-economic concept. This article highlights, in a relatively deterministic approach that between the economic identity of a reference entity and the phenomenon of globalization there is a interference with asymmetric manifestation.*

**Keywords:** globalization, development, asymmetry, identity, economy

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### 1. Introduction

Globalization is a phenomenon with multidimensional implications that directly impacts the behaviour of economic entities, irrespective of their reference scale: national economies, multinational companies, economic branches, small and medium-sized businesses, consumers as individuals. The visible effects of globalization are often contradictory: on the one hand, there is a tendency to homogenize the processes and the finality of economic activity, and on the other hand there is a need for differentiation and preservation of identity. At present, globalization is perceived as a phenomenon that integrates and valorises capital and advanced technologies at a higher level. The secondary and perverse effects of this lucrative integration are generated by the perpetuation and accentuation of an asymmetry regarding the people's access to well-being, to a better life. Globalization means consumerism.

The consumerism generates asymmetry in terms of offer and request. If we try to find a minimum congruency between global priorities and consumers' expenditure, we'll find a huge asymmetry:

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- i) the first global priority is basic health and nutrition with an estimated annual cost of USD 13 billion but the first consumers' expenditure is for military spending with an annual cost of USD 780 billion;
- ii) the second global priority is reproduction health for women with an estimated annual cost of USD 12 billion but the second consumers' expenditure is for narcotics drugs with an annual cost of USD 400 billion [6].

Globalization relies and generates interdependence between entities whose economic interests and not only transcend geographic boundaries.

The interdependence between these entities is generated by the increase in volume and the intensification of trade. In such a global and globalizing environment, economic identity tends to become irrelevant in terms of classical identity, directly associated with a uniquely determined entity from a socio-economic point of view. In order to identify how economic identity can be relevant in a space of global interests and events, we consider it useful to bring to the forefront the pillars of globalization and the ways in which the economic identity of a reference entity can have a high level of permanence.

## **2. Main driving forces of globalization**

Integration of advanced capital and technologies ensures sustainability and a high rate of global economic growth as a result of the globalization process. The generation and strengthening of economically and securely motivated global interdependencies produce socio-economic mutations, most often favorable to this mutual integration. Globalization outlines a global economy that behaves as an economic system based on two key pillars: global production factors and international capital flows [1].

Every field of human activity is differently affected by the globalization process. In the field of international relations, globalization is analyzed from the perspective of the development of policies with global impact and of the mutations in the relations between states. In the socio-cultural area, globalization's concern is about the way in which global society is shaped and which is its determinant attributes.

Overall, globalization is a phenomenon perceived differently by the entities involved and it is evolving as a multidimensional process. This multidimensional process generates multiple states coexisting at the level of the entities involved [3]. Extensive use of advanced capital and technology is due to the accelerated pace of development in science and technology.

The global economy is the direct beneficiary of the remarkable results of scientific research over the past 100 years. The qualitative leap in R & D has led to a

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significant decrease in costs associated with activities in key areas such as international trade, transport, communications, and mass media. Practically, the significant reduction in costs associated with these areas has generated the appetite and premise needed to formalize the global economy. Information technology has generated and manages a virtual space that surpasses the current geographical representations where the underlying pillars of globalization develop and manifest. Production factors operate with the information items distributed according to the level of knowledge, in a dynamic manner and on the basis of optimal criteria, especially the minimum cost. So, a product designed in Europe is made in final form in the Middle East by integrating products made in Asia, Europe, and North America. The economic identity element is related to this global approach to production.

## **2.1. International trade and finance**

International trade is an important driving force in globalization process. The reasons of international trade are old but very actual: goods and services are desirable because have a good price – quality rate; consumers need goods and services that are not produced in their region; goods and services are interesting and represent a challenge from life style's point of view. International trade generates the dominant characteristic of global economy: free market economy. International trade uses international institutions as facilitators.

The countries which accepted the framework of the *General Agreement on Tariffs and Trade* (GATT) and the *World Trade Organization* (WTO) cut down their tariff and opened up their financial national markets for foreign capital and stimulated the development of trade and direct foreign investments. International trade and finance play, in the first step, the role of main driving force for internalization of economy. The economy's internationalization means "simple extension of economic activities across national boundaries" [2].

The internationalization of economy has two main pillars: geographical extension of markets and foreign direct investments through multinational corporations. Nowadays we can observe that value chains, main economically enterprises and many industries will cover huge geographical areas, across many countries interested in economic development. In fact, it is very difficult to accept that national industries are closed and self-contained systems and national economic performance is strictly generated by endogenous economic entities [5]. The most well-known agents of the international trade are multinational corporations. The multinational corporations are organized at global level, with different branches which act according of principle of profit maximization.

The global dimension of Multinational Corporation means macroeconomic impact at national level of economy. The most important dimensions of global economy

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managed by the multinational corporations are: technological dimension and financial dimension. The technological dimension means that about 70% of international technological transfer is conducted among multinational corporations [4]. The financial dimension is represented by the fact the international finance serve the development needs of multinational corporations. The economic globalization recombines traditional pillars of internationalization with international sourcing capabilities that requires a very high logistic performance obtained by coordination and control from the headquarter, higher levels of multilateral information flows, customized technical solutions according to local needs, and a high integration level of business processes that can substitute the activities performed at home with activities performed abroad.

The globalization's pattern means a cross-border investment and international trade based on product-cycles. In that production process, it is preserved a technological gap between advanced economies – that concentrate and develop know how and high technology, and less developed countries – that fight to specialize in a specific area or specific products – good and services [5].

Less developed countries have to manage a dilemma: to accept the globalization's imperatives such free market economy and international standards that means the loss of a substantial part of the economic identity or to expect a strategic opportunity to develop its own global niche dimension, losing money and maintaining an important asymmetry in terms of living standards. Nowadays, political leaders claim that the international trade is an important driving force of economic growth, including job creation within the large scale common market region.

A very good example is the European Union. In that case the trade policy is an exclusive power of the EU that can legislate, for all member states, on trade matters and establish international trade agreements. Recently, the president of United States – D. Trump, claimed “America first!” that means a leading role of United States including in international trade agreements. From globalization point of view, that attitude means a concentrated effort to produce and preserve the prosperity in very clear delimited large scale market even the globalization process is running.

## **2.2. Transportation, Information & communication technology, Media**

Transportation is the essential tool for international trade. Transportation capabilities are used to move products to target – final client or a specific market. In the last one hundred years, the transportation's cost has steadily decreased and new transport patterns have emerged. Thus, in the year 2000, the costs associated with international transport and communications, related to the specific cost of 1930, were as follows: the cost of communications was 1%, the cost of shipping

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was 50%, the cost of air transport accounted for 16%. The steepest drop in the price-quality ratio is found in the field of information and communications technology. In this case, the price of an IT system in the year 2000 represented only 0.6% of the price of an IT system developed in 1960 [4]. This makes the basic ingredient of the global economy to be information, and especially easy, virtualized and almost instant access to it.

Nowadays, about 40% of transportation means large ships that use huge standardized containers. That technical solution made transportation cheaper and products reach the target market faster and farther. There are technical solutions which made goods transported into containers ready to use at final destination without additional costs. The transportation by plane and the transportation by truck are not prohibitive and are often used for different kind of goods, even for regional or global market.

Transportation means including travelling people who can share knowledge and cultural values with others or who can inform themselves, in direct manner, about the economic potential of a local business abroad or the specificity of a market. In fact, transportation means mobility and this kind of mobility sets the conditions for consumerism at a global scale. The mobility of people, goods and services is sustained by transportation capabilities when it comes to physical mobility. But we can identify virtual mobility especially when we discuss about services' mobility that includes mobility of knowledge or expertise. Virtualization depends on communication and information technology. People can access in indirect manner a distal reality at a low cost. They need few resources as time and a good technological platform. In fact, people act as innovators using IT&C technology. People interact within the concept of hybridization from socio-cultural sciences.

Hybridization is a process through elementary entities from existing practices are separated and recombined in new practices [3]. Communication technology and its technical platform represent important tools for mass media. Internet makes news from different places very accessible and simple for understanding because huge online resources can translate them in different languages.

People use technological platform for banking, learning, playing games or socializing in different manners. But media, generally speaking, tend to formalize two major trends: media concentration and media convergence. Media concentration means to concentrate the most important media vehicles – newspapers, TV channels, news agencies – in the hands of few owners, most of them being important media corporation.

The media convergence is referring the possibility to integrate, using IT&C technology, different type o media in one single broadcasting environment – Internet. With such global integration and coverage, marketing and sales

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processes for goods and services become more efficient and closer to the potential buyer. The buyer flooded with the most often customized offer on a known a priori profile is less interested in the economic identity of the product than its price-quality ratio.

### **3. Economic Identity**

What about identity in a global market? Economic identity in a global market is difficult to localize when we discuss about producers of complex products or services but it is easy to understand it if the reference entity is the customer.

What is really important from customer point of view when he wants something to buy? It is relevant the economic identity of product or service?

Identity, in its classical sense, exists and manifests itself with a predominantly socio-cultural reference. This socio-cultural reference directly influences the economic dimension of identity. Identity concept is more closed by socio-cultural dimension of society rather than economics. The prosperity and human well-being is a final objective of every economic agent and, in industrialization age, it was connected with the concept of utility.

Welfare system is directly associated with national economy, with a national economic identity. There is the idea that the globalization processes means weakening nation states and national economy. It is a paradox that the emergence of nation states is an earlier stage of the globalization process [3]. Maybe the biggest challenge for economic agents which act at global scale is to think globally and act locally. It is easy making this kind of statement. But could be difficult to operate in that manner because people are attached to local values but they want a more cosmopolitan lifestyle.

Economic dynamics at global scale could help very particular economic entities, including states, to generate positive cash flows or relevant competitive advantage in the global market. This situation means in fact the capacity to exploit a global opportunity or a global crisis. The globalization process does not make the zero game disappear at all. In global market there are winners with a very specific identity. In the case of the European Union, globalization reinforced both supranational and sub-national regionalism because the common economic space is managed in a holistic manner, including from policy, administrative and socio-cultural point of view [3].

The identity has multiple layers, from local to European dimension. To be from the European Union does not cancel the local identity but it strengthens it by the quality certified by the common standards. Globalization means that different economic agents, at large scale – states or huge companies, need to have the ability to develop flexible specializations based on cultural hybridization and

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multiple identities. Flexible specialization means adapting to a high rate of transformation of the economic domains and innovation within them. Multiple identities reflect the ability to operate on the basis of common knowledge in various sectors of economic activity.

### **Conclusions**

Globalization process shapes the global market in an asymmetric manner and generates unequal distribution of wealth between countries. The most important driving forces of globalization are based on a qualitative leap assured by the results obtained in the research and development process from the last one hundred years.

Globalization generates social effects on the long term that are more important than immediate economic effects because people – costumer or producer, are the principal actors in a global society. An important process associated with globalization is hybridization - a process through elementary entities from existing practices are separated and recombined in new practices.

National well-being is not necessary conditioned by national economic identity and the prosperity depends more on the ability to act with flexible specialization and multiple identities in a global market. Economic identity is concentrated in brand and knowledge and not necessary directly associated with a particular geographic space.

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