Romania in the Globalization Context

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Abstract
Due to the precarious situation of the Romanian economy, it is requested to identify the weak and the strong points in order to get integrated within the global economy structures. The Romanian banking system has been afflicted with significant transformations, some of them very costly but which, at the end of the day led to its consolidation. Those who presently administrate this system should concentrate their efforts in order to increase the confidence of the population and the economic agents in the Romanian banks along with the implementation of an efficient system for the risk management. As far as the relations with the international economic institutions are concerned, the conclusion of the Agreement with the International Monetary Fund is representing a first significant step but, in the context of the globalization and liberalization of the capital market, it is necessary to draw financial resources and to consolidate the relations with the specialized institutions.

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1. General aspects of the globalization
One of the compulsory conditions for securing the macroeconomic stability consists of the continuation of the disinflation processes. But, in order to let this process be possible, it is necessary to reduce the arrears in the frame of the economy and to solve the issue of the moral hazard. The decrease of the interests, as a result of this action, will reduce the price of the credits and will facilitate the investment, creating thus the premise for a sustained economic growth.

A crucial condition for securing a competitive business environment consists of breaking the state monopoly in the field of the public utilities. The qualitative surplus so much needed by the national agents can be achieved by increasing the competition only. This is the reason for considering the transnational companies more and more a danger; another apprehension as regards the large international corporations is given by the possibility to having internal losses and external profits. However, in the frame of this analysis, we are not ignoring the positive aspects that their presence on the Romanian market involves, namely, the know-how contribution and the change of the mentality of socialist kind at the employees level.

Another stringent issue of the Romanian economy is represented by the agriculture, a sector where it is requested the passing from exploitations of small and medium sizes to the large agricultural exploitations. An important role in the frame of this process is played by the state, which must create the framework required by the increase of the Romanian products quality, so that they can cope with the fierce competition going to get birth along with the integration of Romania in the European market structures.
Although in most of the situations, the countries keep the national and sovereign character, it is more and more seen as being too small to cope with the great issues and too big to take care of the small issues. In this context, it became necessary that new structures of state organizing are created and a more de-concentrated organizing of the super-state power is put in place. Presently, the countries feel like responding to the global challenges (pollution, terrorism, informatics’ war), which generates an intensification of the cooperation based on subordination principles for the time being on a regional plan only. Among the biggest fears occurring when we talk about the adhesion of Romania to the international structures, there is the loss of the sovereignty. In fact, Romania acquires new means of action, more efficient as comparatively with the traditional ones.

During the forthcoming period, the political systems will have to cope with increasing pressures coming from the transnational corporations as well as from the non-economical agents, the civil society. These groups of interests acquired a power which increased exponentially during the last years, taking into account the new possibilities of communication, namely the Internet.

Considering these grounds, the central aim of Romania, on medium-term, would consist of consolidating the political influence in the Balkan area, identifying the niches allowing Romania to become a regional leader in this zone.

From the social point of view, among the most significant consequences of the globalization we have to count the access to information facilitating. The standard presentation of the information generates the social uniformity having as effect, in the cultural sphere, the corrugation of the regional specific differences up to their annihilation. Thus, the internet is the engine of the communication at the global level of the society, which may lead to the creation of a global civil society. At the individual level, we are facing a corrugation of the spiritual identity, shown by the loss of the conscience of belonging to a certain social community that is replaced by a universal total and totalitarian conscience.

The reverse of the excess of information leads to the alienation in mass of the individuals, materialized in the fact that they are no more capable to make the difference consciously between the virtual reality and the natural reality. The artificial environment as space where this is not the imagination that imitates things but there are just these things are constituting themselves as imitations of some virtual models promoted by means of pictures, advertising, cartoons, video games leads to the increase of the incidence of the cases of anxiety, alienation, madness, anomaly, lack of balance.

From another point of view, the globalization is shows itself by the gradual increase of the differences of opportunities between the elites and the larges masses of peoples, materialized by the accentuated pauperization of the inferior social classes. All these issues are reflected by the increase of the law infringement as well as by the increased possibilities of conflict between the poor states. As Romania counts among the developing countries category, it is directly affected by the firs of the above issues, presenting also a potential for the second one.

Among the positive aspects of the globalization, frequently mentioned is the opening to the world of the ex-enclaves, through the free circulation of the population. But this opening is selectively made and those taking advantage of it are more and more the specialized and educated categories of the society, meaning the elites mentioned above. We are facing more and more complex modalities as regards the entertainment under the sign of the superficiality worship which leads to the corrugation of the moral codes, namely to the gradual disappearance of the internalized authority. Consequently, presently the large public ceased showing interest for anything else but for the culture as a show, for the
knowledge as a contest available with the TV or the Internet while the last form of art appreciated by the masses is given by the commercials.

At a macro-scalar level, the issues of the environment (the global heating, the green-house effect, the devastation of the forestry, the decrease of the hunting mass), will show ever more visible effects within the forthcoming period. The micro-scalar issues should be added here (the industrial pollution, the soil degradation, the trans-frontline pollution, the waters pollution) with more severe and rapid effects on the population. The fact that the population is not awaken in this respect as well as the refuse to take firm decisions in this respect lead to the occurrence of certain long-term worldwide issues.

The main engine of the globalization, respectively the technology, showed a remarkable development within these last years, based in principle on the increase of the information in the entire world. Due to the sustained rhythm of the technologies development, the IT world market dissipated over the entire globe, getting concentrated in specialized zones. The supremacy in this field belongs, doubtless, to the United States of America.

The main feature of this sector is obviously the efficiency, since the production process is utilizing the highly qualified labor force at relatively low price. This leads implicitly to the decrease of the prices for the IT products and to the increase of their quality.

The first global community, the INTERNET, led to the suppression of the frontiers of any kind at the level of the globe inhabitants. An eloquent example for the Internet integration in the frame of the globalization process is represented by a plan aiming the utilization of the resources of a calculators' network connected with the internet in order to find out a remedy against the cancer. In this context, Romania has the required potential for playing a major role in what means the development of the informatics technology at the world level, based on the labor force of excellence training, encouraged by the law projects supported by the government. By the legislative initiatives of the IT Commission from the Chamber of Deputies these last months, a legislative framework of general character has been created (the e-commerce Law and the Law of electronic signature) along with steps meant to encourage the investment in this field (such as the Law of "0%" taxation on wage). For the future, it is forecasted to establish informatics parks, namely zones of special statute from fiscal point of view. All this initiative might be applied in the field of the biotechnology as well considering the professional labor force acting here. Romania disposes of a particular potential allowing it to become an important center for bio-technological and software research, as subsidiaries of foreign research institutes. The globalization and integration phenomenon implies that the member countries give up part of their sovereignty attributes, which is one of the grounds of the international law.

The globalization phenomenon is unavoidable. Besides the economical and political globalization there is also the moral globalization to consider. Generally speaking, the globalization should be based on moral principles. Irrespectively the changes being implied in the foreign trade field as well, the basic principles of the commercial policies will keep on remaining valid for long time forward, despite the large scale of technological progresses going to be achieved.

The principles of promoting, sustaining and protecting the individual and/or group interests will remain valid within the globalized market.

Romania has nothing else to do but to fulfill as honestly as possible the obligations it undertook in the frame of the European Agreement, within a term as short as possible, of maximum two years.
The subsequent documents of this agreement described a series of criteria of performance and convergence that, once accomplished, will secure a more conscious transition of Romania to the EU.

Irrespectively that fact that we notice either the positive aspects or the negative ones, the globalization is a process that takes place. A phenomenon such as the globalization must be exploited by everybody in the attempt to get the maximum out of it, for the benefit of its own interest.

2. The globalization and the international financial system

Numerous analysts underline frequently the spectacular increase of the capital movements in the frame of the world economy within the last twenty years; meantime, they mention the ever higher weight of the private capitals in financing the deficit of the developing states. But, if these figures have significance beyond any doubt, other events – such as the financial crises that succeeded each other so rapidly in the recent years – involve a more detailed examination of the international financial systems. This is actually the topic which I am trying to develop bellow. Thus, I shall try to emphasize what I consider as being a basic deficiency of the international financial system, which asks for a response from those bearing the prerogatives for the construction of the institutional arrangements governing the system.

Under the conditions in which the years ’80 have been marked by the crash of Tokyo or New York stock exchanges (in 1987), the following decade was scattered with numerous currency and financial crises. At the beginning of the years ’90, the mechanism of the exchange rates (ERM) at the EU level – as predecessor of the Monetary Union – is subject of huge tensions, materialized in the coming out of the “tunnel” of numerous currencies such as the sterling pound, the Italian lira and the Portuguese escudo. Then, the collapse of the Mexican peso followed in the autumn of the year 1994, situation that emphasized the financial situation of the country which relied on the financing on an ever shorter term (whereof it’s speculative character) for the budgetary deficits. After few years, the big financial crisis of the South-East Asia followed, being launched by the collapse of the Thailand baht in the autumn of the year 1997. Involving effects of economic negative dynamics for these countries used to record high levels of economic growth, the crisis pointed out in the most convincing possible way the dangerous impact of the phenomenon of financial contagion from the respective zone and the worldwide space. Meantime, this crisis underlined the disadvantages implied by the practice of fix exchange rates in the situation of considerable deficits of the current account with financing achieved by short-term entries of capital. To note however the fact that, comparatively with those from the Latin America, the Asian states were famous for the prudence promoted by their budgetary policies; the source of their troubles was to be found in the private sector as well as the exaggerate exposure to the banking credits granted on a short-term basis. Now, it is about the time to add the fragility characteristic for the financial and banking systems. Russia faced a new financial crisis of proportions, this happening in the year 1998 and leading to the stoppage of the payments for the treasury bonds issued on the domestic market (GKO); the new crisis troubles other financial markets as well, including here even the Latin-American ones, and making the interventions of the Federal Reserves System compulsory in order to prevent a contagion of the American banking system as a consequence of the crisis of the speculative funds, hedge-fund, LTCM (Long Term Capital Management).

All the previous events referred to emphasize an increasing volatility of the international financial flows, as well as the high uncertainty having to be faced by the local (national) financial systems. Thus, it is necessary to underline that, during the yearly

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summit of the international financial structures taking place in Hong Kong (in 1997), the IMF general manager at that time, Mister Michel Camdessus, submitted to the attention of the officials came from the attending countries to the summit, a suggestion from the side of the organism he represented, namely to accelerate the liberalization of the capital account. Therefore, that suggestion has been submitted under the circumstances of an already launched crisis of the South Asia. But, the question is: how was it possible to submit such a recommendation of economic policies and which could have been its consequences? In order to answer such a question, is would be useful to proceed to a brief analysis of the difficulties in making choices in the field of the macroeconomic policy within an open economy.

Anybody who alleges that the international economic system was never more opened and free than it is nowadays, should be a little bit more circumspect, should vary its allegation. The second half of the recently closed century, with a Pax Britanica that managed to secure a certain "order" within the empire and not only, has been characterized by a large liberty of the trade, the capital flows and, last but not the least, a free circulation of the peoples. It is mainly the last aspect that shows the reason for which a verdict is not so easy to issue. Within the post-war decades (after the second world war), the developed countries have well locked up their borders against the possible immigrants, those being admitted counting as a very small number as comparatively with those willing to immigrate. However, it is true that the order enforced by the Victorian Kingdom of England internally and between its colonies, or that secured by France in the frame of its colonial empire, cannot be compared with everything implied by the present international system, including up to 200 sovereign states. We might consider a certain Pax Americana, by the virtue of the hegemonic statute held by the United States, as well as of their economical, financial and military force, that are undisputable by the end of the XX century, but the nature of the power exercise differs from the one of the mentioned colonial powers. In the situation of considering to particularize the globalization of our present times, it would be necessary to emphasize the impact of these new communicational technologies (such as internet-VA), of all the financial innovations (as a result of the globalization of the capital market), but also of certain institutional arrangements, which liberalized the commercial or financial flows; this globalization is increasing the diversity in production and consumption. Coming back to the epitomized period of the Victorian England, this has been characterized by the functioning of the gold standard (the so-called "the Gold Standard") and by a considerable stability of the exchange rates. The adjustments of the commercial imbalance were made by liquidity movements that drew merely price fluctuations than fluctuations of the economic activity – without being in the position, however, to prevent an economical crisis. To remark the fact that the down warding nominal evolutions of the prices and wages, which might illustrate a particular flexibility of the prices of the products and production factors (wages), could be placed in the responsibility of lack of powerful labor unions.

We can allege that the birth of the assisting state together with the development of the labor union movement have radically modified the entire frame for formulating economical policies during the inter-wars period. Both, an “organized” labor market, more and more immune to the down warding dynamics of the wages, and the increasing number of programs of social assistance led to different adjustments to the external shocks (explained by the lack of balance of the balances). Here originates the temptation of the governments to give up the arrangements of convertibility in gold for their national currencies, to resort to devaluations and to apply protectionist policies. This is how the recrudescence of the protectionism is explained, along with the instability situation of the
exchange rates and the occurrence of the premises of the financial crisis of the years 1929-1933 – known in history as "The Great Depression". This situation of global crisis underlined the extent to which the contagion may be "lethal", the transmission of the shock wave from the Europe territory to that of the USA being impossible to stop.

Just from the time of the second worlds war (1940 - 1941), the Great Britain and the United States started to think about the structure of the international financial system of the post-war period. The lessons taught during the inter-wars period were the following: the fluctuating exchange rates generate excessive instability; the uncontrolled capital movements generate at their turn large perturbations; specific frameworks meant to favor the international trade and avoid commercial wars were required.

To these findings an additional very serious motive has to be added, namely the clear need of economic recovery, of the reconsolidation after a war that proved to be a disaster for the belligerents. The Americans, represented by Harry Dexter White as official of the Treasury Department, pleaded for the stability of the exchange rates and free flows, both commercial and of capitals; however, on the other hand, the British side, through the voice of the economist John Maynard Keynes, was closer to what meant the economical reality: Europe was a continent devastated by the war, where the governments needed to a great extent as many as possible means in order to be able to fight against the eventual external imbalances being meantime concerned with the costs of adjustments for a tired population. We can consider that the meeting of the two opinion tendencies expressed, on one side, the different analytical vision (the Americans’ position, more “liberal” in the Europeans’ eyes, or monetarist in the profoundly Keynesian and economical vision of the British part, obsessed by the increased unemployment) and, on the other side, the interests not exactly common in many respects.

The Agreements of Bretton Woods stipulated as "rules of the game" a functioning of the fix exchange rates but adjustable (adjustable pegs) under special conditions, as well as the possibility to enforce commercial restrictions under particular conditions with the purpose to adjust the payments balance. Meantime, the surveys on the capital movements were accepted. Remarkable was the fact that the adjustment of the exchange rate presumes the existence of some "fundamental imbalances of the payment balance" as well as the agreements from the IMF side, this requirement aiming to prevent the devaluation. In the situation where the IMF or the World Bank would have been supposed to take care of the financial issue, both on short-term (by adjusting the payment balance), and on long-term basis (by economic development), the GATT organization (newly the World Trade Organization) should be concerned with ordination of the international trade and its liberalization.

Irrespectively the criticism regarding now the Bretton Woods agreements, the fact that they enforced useful rules in the international economical relations is undisputable, as well as the fact the functioning of the two institutions that marked the evolution of the post-war system; the arrangements have of course contributed to the recovery of the West-European countries after the war. But, on time, an ever stronger pressure became visible as to the relaxation of the restrictions and the basic rules. The pressure put on the need to have more flexible exchange rates kept on increasing along with the development of the exchange of goods and services within the global economy and, implicitly, along with the multiplication of the imbalances of the commercial imbalances, implied by the massively increased flows of capital. We should not forget that those years showed the development of the euro-currencies markets, the elimination of the restrictions for the capital flows, as well as significant commercial imbalances, which required adjustments of amplitude of the payment balance. For instance, for the United States of America, the high commercial
imbalance was due mainly to the Vietnam war, as this was financed by the government, apparently without problems. But everything reached a top point when the USA announced their decision to give up the gold convertibility of the dollar (1971); that moment represented the starting point for a new stage of the floating flows.

References