

GLOBALIZATION OR NEW NATIONAL BORDERS

GLOBALIZACIJA ILI NOVE NACIONALNE GRANICE

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Abstract: *The study of globalization requires examining several aspects: how do we define the phenomenon, which are the advantages and disadvantages we observe and which contradictions are driving forces of the process. This article is aimed to contemplate on the questions: do we follow the road of globalization or are we at a track to new national borders?*

Key words: *Globalization, advantages and disadvantages of globalization, contradictions in globalization*

Sadržaj: *Proučavanje globalizacije zahteva istraživanje nekoliko aspekata: kako je definisan ovaj fenomen, što su prednosti i mane koje posmatramo i koje kontradiktornosti su pokretačka snaga ovog procesa. Ovaj članak ima za cilj da istraži sledeća pitanja: da li pratimo put globalizacije ili smo na putu ka novim državnim granicama?*

Ključne reči: *Globalizacija, prednosti i nedostaci globalizacije, protivrečnosti u globalizaciji*

INTRODUCTION

The process of globalization in different areas of our life: political, economic, technological, environmental has accelerated in recent years.

In politics, globalization encourages the implementation of democratic practices of governance and protection of human rights. It increases and intensifies interstate contacts and supports the creation of supranational regulatory regimes. In geopolitical terms it is manifested in an effort to remove the barriers imposed by national governments that restrict the free movement of economic resources. In the economic sphere globalization implies applying the principles of market economy, both in terms of domestic and external markets and supports market integration that goes beyond the borders between countries. The technological aspect is manifested in the ability to accelerate research in various fields of science, through simplified communication between scientists and the dissemination of scientific knowledge. In the social area, globalization develops the potential for expansion of interpersonal contacts, general and vocational training, and helps to overcome intercultural differences. Environmental manifestation is the joint sharing of the Earth: its continental land, air, and water.

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GLOBALIZATION - DEFINITIONS

An article published in 2006 by Dr. Nayef R.F. Al-Rodhan and Gérard Stoudmann from the Centre for Security Policy in Geneva provides an extensive list of more than hundred different definitions of the process by scientists and institutions. This fact alone is sufficient to demonstrate the complexity of the concept and the different perspectives from which it could be perceived. The definition of these two authors states: “Globalization is a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities.” [1]

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He was responsible as the first Chairman for the establishment and management of the Bulgarian Securities and Stock Exchanges Commission. He used to serve as the Director of Budget Directorate in the National Health Insurance fond, the Financial Director of the National Health Hospital, and chief-expert in the Ministry of Economy and Planning. During his business carrier he was also the CEO of the Financial Company “Naturella” and the CFO of the Financial Company for more than nine years.

He participated in multitude of international projects including the “Ex-Ante Evaluation of the Partnership Agreement of the Republic of Bulgaria and the EU for the 2014-2020 Programming Period”, “Implementation of Practical Impact Assessment of Legislation and Policies”, “Development of a Hospital Master Plan and Restructuring Strategy”, sponsored by the European Union and the World Bank.

He has more than 50 publications in Bulgaria as well as internationally. Some of them are: the books - “Marketing and Planning in the Investment Companies”, “Research on Non Professional Investors – Real and Potential Clients of Collective Investment Funds”; the co-authorship in “Money and Capital Markets”, “Voluntary Health Insurance Funds”, chapters in “Marketing”, “Forecasting and Strategic Planning”, “Strategic Planning and National Balances” and a wide variety of articles.

Nicholas Stern as Senior Vice-President and Chief Economist of the World Bank defines globalization as “the growing integration of economies and societies around the world” [2]

In social sciences professor Roland Robertson defines globalization as a concept that “refers both to the compression of the world and the intensification of consciousness of the world as a whole... both concrete global interdependence and consciousness of the global whole.”[3] Using a term from physics is not accidental. It is known that compression of the gases causes the reduction in volume in order to raise their temperature and pressure.

Worldwide, advocates of the process are as numerous as its critics. On one hand, in the social sphere, we have had a significant international cultural exchange. There are eloquent examples in Bulgaria. The world has an opportunity to get acquainted with the Thracian treasures, the spread of Byzantine iconography in our land, and at the same time Bulgarians have access to a virtual representation of the exhibitions of leading museums such as the Louvre, the Hermitage, Prado and Metropolitan. Culture comes close to each and every person - the world premiere of movies, books, instant access to information. People are able to travel abroad with fewer restrictions. They have access to better education and health care services. They may even have their own favourite dish – pasta, sushi, burrito with guacamole - that are served in “unbelievably remote” regions of the world.

On the other hand, monetization of social activities leads to the inculcation of thinking and behavioral stereotypes. (the Hollywood productions, the Japanese manga, virtual games). Scientific research concentrates mainly in areas with fast return on investment. In education we observe demand for specialties, which will yield financial prosperity, at the expense of the humanities. People are deprived of treatment because of the costs incurred.

Integration in the field of the economy has reached the highest level of development compared to other areas. The definition of the International Monetary Fund emphasizes specifics in this area.

According to the IMF: “Globalization refers to the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology” [4].

So, the analysis of these definitions suggests that the process of globalization is creating networks of connections and relationships between individuals, companies, governments, non-governmental organizations on a planetary scale, which allow free movement of flows:

- people (migration);
- goods and services;
- capital;
- technologies (transfer);
- information (mass communications, Internet) and ideas

Economic data speaks for itself. The value of trade (the sum of exports and imports of goods and services) as a percentage of gross domestic product in the world has increased for the period 1990 - 2013 from 38.75% to 59.45%. [5] Foreign direct investment as a percentage of Gross Domestic Product in the world rose from 6.5% to 33.6%. [6]

ADVANTAGES AND DRAWBACS OF GLOBALIZATION

The benefits of globalization can be traced in several directions.

Material well-being in many countries has increased. Substantial raise in average income per capita is observed. The number of people, who lived in extreme poverty (less than \$1.90 per day), is reduced significantly from 1.95 billion people in 1990 to a forecast of 0.72 billion people for 2015. The global poverty rate has fallen from 37.1% in 1990 to forecasted 9.6% for 2015. [7] The examples most frequently mentioned are India, China, South Korea and Sub-Equatorial Africa. In these countries the results are achieved by expanding the market, boosting in volume of production and reducing the costs per unit of product through economies of scale.

International trade has increased in scope of products and participants, in scale and in pace and allows meeting timely and effectively the needs of significant groups of people. The idea can be traced to the founders of the classical school of economics Adam Smith and David Ricardo with their concept of comparative advantages and efficiency in the production of goods by different natures. Looking deceptively easy, the task of expansion of world trade in recent years has involved a minimum of three issues: information - tracking the tastes and attitudes of consumers, manufacturing - securing the required goods from manufacturers and logistics - the efficient transportation of products to the factory for assembly or to the end user. Finding a successful solution leads to an increase in the flow of goods and services and ultimately the welfare of the inhabitants of the planet.

The reduction or 100% relief on debt of some countries is enforced. The International Monetary Fund and the World Bank launched in 1996 an initiative for heavily indebted poor countries (HIPC). It was aimed to reduce the debt burden to sustainable levels that would reflect the export-debt ratio. Other International organizations participated in taking the decision: the African Development Bank, the Inter-American Development Bank, and all Paris Club creditors. Of the 39 countries eligible or potentially eligible for HIPC Initiative assistance, 36 are eligible to full debt relief. The total amount of debt-service relief over time is \$76 billion. [8] Some examples of countries which benefited those policies are Nigeria, Democratic Republic of Congo, Tanzania, Nicaragua, Guyana, and Afghanistan.

The growth in economy, caused by globalization, leads to an increase in employment rates. The Global employment rate grew with an average annual rate of 1.7% between 1991 and 2007. Even the global financial crisis only managed to slow down but not to reverse this trend. Between 2007 and 2014 the growth was 1.2% per annum. [9] The number holds true despite the increase in the population during the last 25 years. There are of course shifts in distribution of the work force between developing and developed countries. The policy of outsourcing, widely applied by global corporations, supports the concentration of lower value-added sectors and most of the manufacturing operations in less developed countries. At the same time, the development of "knowledge economy" requires more highly educated and skilled people in the fields of finance, health care, and scientific research in advanced economies.

Globalization supports the transfer of new technologies. Let us consider the mobile personal digital devices. Smart phones and tablets are at hand at any time and through access to the Internet enable us to find and use information; to exchange files between users in real time via infrared ports, Bluetooth, cloud technologies. Sharing files partner to partner ("peer-to-peer")

is subject to prosecution for copyright infringement of the companies, but also provides an option of using artwork or software with free or partially free access. The transmission of voice and image via Internet (VoIP) among portable devices allows transactions between the most distant points of the planet in real time free of charge.

If in the past the billing of telephone services was based on the ideas of call duration and distance between subscribers, a recent decision of the European Commission to eliminate roaming charges by 15 June 2017 is an evidence of the ongoing changes in telecommunications. Videoconferencing is now a routine. Scientific forums are organized in the form of webinars. Participating scientists from around the world comfortably seat in their office or at home in front of the computer screen and exchange ideas. It is possible for a person just to wander down the street and his glimpse might be caught by an object with strange matrix barcode on it, the QR code (Quick Response code). By scanning the image with a smart phone or tablet, one can get complete information about the object. Originally used to control inventory and installed modules in the automotive industry in Japan, today it is used not only in manufacturing, but can be seen in museums and exhibitions, in tax forms, even in personal business cards. Biomimicry, nanotechnologies, new smart materials, agile manufacturing will continue to profoundly affect the world.

Rapid dissemination of knowledge and skills, inconceivable in the past, is possible through the Internet. The concept of a global information network changed the space in which mankind lives. We can admire or condemn virtual reality, but this is a new universe we inhabit together. A whole set of protocols with menacing sounding Latin acronyms: HTML - to create websites, FTP- for file sharing, HTTP – to link to pages in the Internet, TCP / IP - the transport system, the base on which other connect; are available for free. The most important feature of these protocols is the open source, which prevents their commercialization and allows users to improve them. The main advantage of the Internet is the link through emails and human knowledge is available to everybody.

It should be emphasized that each era of globalization has its basis. The Roman Empire built roads in all provinces where legions entered, and soldiers were always followed on the heels by merchants. The British Empire in the 17th-18th century created its colonial system based on the telegraph and safe sea navigation. The modern uniting force of globalization is the Internet. Search engines such as Google, Bing, Yahoo, Ask, and Baidu meet the increasing traffic every day. In July 2015 Google has had over 1.1 billion unique visitors, Bing – 350 million, Yahoo – 300 million, and Ask – 245 million, according to the company EBizMBA, which specializes in providing information to entrepreneurs on the popularity of websites on the Internet. [10] Some sources claim Baidu has almost 2.17 billion monthly active users and more than 0.5 billion of them are mobile searches. [11]

Globalization allows increasing of life expectancy, ensuring access to clean drinking water and food for the poorest, creating interpersonal and social contacts worldwide.

Joseph Stiglitz [12] is one of the authors who acknowledges these advantages but at the same time outlines the theoretical framework of disadvantages and failures of globalization. A single model of "shock therapy", accepted as true, is applied blindly all over the world. Institutions in the so-called "Washington consensus" - the International Monetary Fund, World Bank and United States Department of the Treasury, supplemented by the policy of the World Trade Organization impose the neoclassical and neoliberal ideas of free market on

every country which in the long run leads to failures. The characteristics of the model are as follows:

- Imposition of the principles of free market economy without establishing a mechanism to preserve local production and trade.
- Provision of loans, which lead to the loss of national sovereignty. These funds had been usually spent following opaque procedures. Very often they support the shadow businesses of the political elite and oligarchs close to them.
- Privatization, that springs to life "crony capitalism", where successful business depends on political contacts. In many cases, assets are sold below their real value as a result of lost market positions.
- Land reform, which destroys large cooperative farms and splits them into small plots, impossible to be cultivated in a modern mechanized way.
- Liberalization of financial markets without establishing in advance the necessary regulatory framework.

Stiglitz builds his analysis on the premise that information is incomplete and asymmetric for the individual market participants: consumer and producer, an employer and an employee, creditor and debtor, therefore, the market cannot be the perfect regulator of processes in the economy. The intervention from the state and regulators is necessary to achieve effective results in society. Consequently, globalization promotes the development of those countries where national governments reckon the characteristics of the stage of economic development and succeed to protect domestic production to achieve sustainable growth, technological progress and to grasp and master modern knowledge. Successful examples are China, South Korea and Taiwan: they manage well their foreign trade relations and integration in the international division of labor.

The disadvantages of globalization could also be traced in other areas.

Power shifts from national governments to large corporations. Global companies have plenty of funds that often exceed the budgets of individual countries. This fact allows them to impose certain policy decisions that are not always in the best interest of the inhabitants of a country or region.

Offshore zones with preferential taxation draw the income of the countries away. The ability of nation states to form the income tax on the profits of corporations is constrained. It also undermines the ability of governments to perform their social functions. Regardless of that the companies benefit from the services provided by state institutions such as education, law enforcement, infrastructure, etc.

Elderly people, socially vulnerable groups, and people with low education who do not have access to the education system either because of lack of funds or social prejudices (restrictions imposed on girls in some developing countries) cannot benefit from the globalization.

Unemployment and social unrest arises in developed countries as a result of the outsourcing of production and business processes and targeting regions with low wages.

Global media can be misused for propaganda purposes and manipulation of the minds and behavior of the people in different parts of the world.

The hazards that countries, corporations, and people encounter increase and often these risks cannot be assessed in advance. This uncertainty will escalate with the deepening of globalization.

CONTRADICTIONS – THE DRIVING FORCES OF GLOBALIZATION

Contradiction "National State - Transnational Corporations".

Sociologist Ulrich Beck [13] explores in depth the risks to modern society from globalization and highlights several key opportunities that corporations can benefit from. They are directly related to the management of the processes of production and marketing activities.

Global corporations must decide, but can choose: the state where they will register their head office and subsidiaries, the country or countries where they will carry out their core business, the country in which they will pay taxes and the state their major shareholders are residents of. They can all be different. The contradiction that occurs is that capital is mobile and global in nature, but at the same time, labor remains local. Freedom of movement remains valid, but only for a limited number of people. Imagine migration flow numbering hundreds of millions of people from India, China or the Arab World. Europe is at the verge of humanitarian crisis with just approximately one million refugees in 2015.

The companies with the introduction of digital technologies and telecommunications can compartmentalize processes into their constituent elements and optimize the allocation of these operations between countries. Products and services lose their national identity, but retain the corporate brand. The power of the corporations is growing. They can force the individual locations to compete with each other by the level of wages, social spending, and infrastructure to attract the implementation of certain processes or procedures. The national states and governments are faced with the choice between: social protection of the population at high unemployment rate or low unemployment rate with limited possibilities to impact the poverty.

Risks are transferred from the global corporations to the nation state and finally to the individuals. People who make decisions and should be responsible for the consequences can ultimately avoid risks by reallocating them to consumers. The concept of "informed, responsible consumer" who realizes the harm of genetically modified foods, nuclear and chemical pollution, electromagnetic radiation, financial speculation and consciously chooses the products is a convenient excuse for action by businesses whose long-term ramifications are difficult to assess. The contradiction between the short-term orientation of corporations to profit and long-term interests of society unfolds on a planetary scale. The global financial crisis of 2007 caused a sharp drop in income, assets and consumption of millions of people, bankruptcy of small and medium enterprises, global recession. Yet, many financial institutions were bailed out with public funds. The tragedy of the accident at the Fukushima nuclear plant in Japan in March 2011 required the evacuation of over 100,000 people from their homes. At least 40 years will be needed to clean the area and it will cost over \$ 100 billion, most of which are made available from public sources. [14] Tepco, the company that owns the plant, accounts at the end of fiscal 2014 net profit of \$ 3.65 billion. [15]

Contradiction "Opportunities - Threats".

The process of globalization has a twofold impact on companies: by the nature of competition and by the interaction with consumers.

Users benefit from: the creation of new products, lower prices for certain goods, expanding access to products through the channels of electronic commerce – by delivery to the address of residence, higher level of awareness, and opportunities to invest in financial instruments in the international market. Corporations have access to a wider range of resources; expand the market of realization of production; reduce the cost of transporting cargo and of communication between the subsidiaries worldwide.

At the same time, the mobility of production processes reduces the income of a significant proportion of people worldwide, which leads to the so-called process of "agflation" - food prices increase, and many products are not available to consumers for economic reasons.

Companies have relatively easy access to financial resources and low interest rates, which creates an environment that allows them to ignore the risk. Striving to realize maximum yield shifts the focus in assessing the projects and allows ignoring the possible adverse outcomes. The failure of even one major project or inappropriate choice of a business model could lead to insolvency and bankruptcy of the company.

Examples of bankrupt companies are numerous. Banco Espirito Santo in Portugal lost during the first six months of 2014 \$4.8 billion. The biggest pharmacy chain and "drogerie markt" in Europe, the German's Schlecker [16] closed its doors in 2012. It used to manage over 14,000 stores in 17 countries. Arcandor (formerly known as KarstadtQuelle), a retail chain with highly developed network and one of the leading companies in the catalog and Internet commerce also ceased its operations in 2009. The failure was attributed to the German government which refused to provide credit guarantees amounting to €650 million [17]. Canadian Nortel was the first major technology company that went bankrupt in 2009. At its apogee the company was valued at over \$260 billion and exceeded one third of the market capitalization of the Toronto Stock Exchange. The list can be extended by Royal Bank of Scotland Group, Lehman Brothers, and Bear Stearns – all victims of the crisis in 2008.

Contradiction "Competition - Partnership".

A prime example is the establishment of international standards. They deprive companies and countries from imposing their own decisions. Only a few years ago all smart phones' chargers were different and "unique". The same was valid for tablets, electronic book readers, gaming consoles, etc. In 2011 the European Commission signed a memorandum with 14 major mobile phone manufacturers to introduce a uniform standard micro-USB. Only Apple has not yet complied and offers an adapter to its port. (It must be acknowledged that over the Lightning port used by Apple one can transfer audio and video, while the micro-USB allows only charging and data transfer.

Development and implementation of systems for good manufacturing practices (GMP) in the pharmaceutical industry in cooperation with all interested companies covers the entire process from delivery of raw materials and components, storage and preparation, to the actual processing of the product, to packaging and distribution. GMP is a guarantee of product

quality for consumers and allows tracing a series of drugs, when testing pollutants, or when abnormalities are discovered.

Another striking example is the Committee Colbert in France, which brings together more than 80 manufacturers of luxury goods. In recent years it includes companies from Germany, the Czech Republic, and Hungary and has contacts with similar organizations in Italy, UK, and Spain. Famous for protecting the name "Champagne", it controls the production of counterfeit products marked with original trademarks. The Committee cooperates with cultural and educational institutions, invites celebrities (businessmen, actors, athletes) to determine global trends in the field of luxury goods, and conducts an annual competition for young designers. The association supports small businesses, some of which are single artists working for an elite clientele, in the field of fashion, accessories, perfume and jewelry and to gain access to international markets. After the organization launched a cooperation program, the members' sales increase at constant prices five times from €4.1 billion (67 participants in the association) in 1984 to €39.6 billion (78 participants) in 2013. [18]

Other prominent example is the cooperation of Coca-Cola and Heinz to replace plastic (PET) bottles, which contain 30% plant substances, with new ones – produced entirely of vegetable matter. Nike and Procter & Gamble joined the consortium. The new bottle was introduced to the market in June 2015. It is neutral to water and carbon dioxide and will be fully recycled.

Microsoft and Toyota Motor Corp. are in a strategic alliance to create a software platform for managing information systems of electric cars: power, navigation and multimedia. The idea goes even further. The cloud-based technologies and software will automatically optimize the charge mode of the car. In both examples above, each of the participants in the Union retains its leading competitive position.

Contradiction "Global Culture - National Identity".

Globalized companies require the use of identical products. The process nurtures the consumer with a sense of empathy, of inclusion to the world, helps to increase the social status, and constitutes means of self-expression. Products such as, smart watches, the Wi-Fi camera installed in drones and operated by smart phone and the Amazon's Kindle do modify habits and lifestyle of people. These types of products create consumption based on commodity fetishism. Bitter truth is contained in the anecdote that some people have to undertake surgery to separate the smart phone from their hand. American sociologist Herbert Schiller called the process "cultural imperialism" that pushes the boundaries of consumer society. [19] The rising demand for foreign "prestigious" goods restricts the growth of local production. It incites the desire of consumers to emulate the lifestyle of the "rich".

Each and every act of establishing a preference for universal goods is actually a process of instilling certain values. Technologies are seen as a very successful tool of cultural imperialism, because they are perceived simply as hardware and software - neutral, containing no moral principles and norms applicable in any social system. These technologies disseminate information freely, expanding the horizons of everyone involved in this stream. However, access to technology and information depends on social status. This access comes at a high price: the value of devices, the cost of services for admittance to the global network. The moral cost is even higher - the relations among people are transformed into a commodity. When it comes to free access to information it broadens horizons if it is not pre-filtered and if it does not distribute ideas and knowledge selectively.

National identity resists this process. Local companies are able to compete successfully with globalized giants following the strategy of "over-localization". They create a unique consumer value. Dubai as a tourist destination is a vivid example of the globalization of business, based on local advantages. Located in an Islamic state, which imposes many restrictions on women, with adverse weather conditions, a ban on alcohol and despite all, the city is one of the most attractive places for entertainment.

Another example is the use of "clean" foods. Advertising of organic products is a global process. But the opportunity to serve your relatives food from a local farm, where no chemical fertilizers, growth hormones, etc. are used is a temptation. It appears attainable only at a unique location. More and more consumers begin to consciously seek "different" when choosing food, clothes, and travel destinations. A trend of "green", protective to the environment, of course, ethical and responsible consumption is hopeful in conserving the Earth's resources.

Contradiction "Global Integration - Local Responsiveness".

Global companies follow strategies applicable in a planetary scale that require the introduction of uniform management practices of the business. Several factors determine global integration. Economies of scale are achieved by concentrating production in a few carefully selected countries. With the increase in the number of subsidiaries the ability to exercise effective control and direct impact on decision making shrinks. Alignment of consumer tastes to mass products, with similar functions, quality and price, allows customer satisfaction with identical goods. Examples for such mass products are the consumer electronics – tablets, smart phones etc. Global access to energy, raw materials, components, and skilled labor leads to lower costs. Intensified competition from global companies and local producers requires to trace their steps and to find solutions against potential threats on time. It is an imperative to concentrate investment resources to achieve optimum results. All these factors lead to increased efficiency.

In turn, local responsiveness is required based on the influence of the following reasons. Each country has unique natural conditions and resources. Their use creates comparative competitive advantages. Distinctive culture reveals specific needs of consumers who require adaptation of the global strategies of companies. Differences in distribution channels could have a significant impact in ensuring access to customer. In some countries, hypermarkets are the preferred place for shopping and in others – small shops, where personal contact is important, prevail. People's choices expand because of the availability of products-substitutes in the market. And last but not least, regulatory regimes may alter expected performance.

Some industries are more vulnerable and require local responsiveness. Food and beverages, the clothing industry, retail, and publishing impose compliance with country-specific regulations.

In other sectors, the boundary between global efficiency and local responsiveness can be traced in different functions. For example, in the automotive industry, research and development is usually integrated globally, while distribution and customer service should be locally responsive. Global integration is based on economic and technological efficiency, and the results are achieved through cost savings and increased productivity. Local responsiveness is associated with users and specifics of the market and the main goal is customer satisfaction.

CONCLUSION

Globalization encompasses different aspects of human life. A clear definition of the term is imperative. The process of globalization is creating networks of connections and relationships between participants on a planetary scale, which allow the free movement of flows of people, goods and services, capital, technology, information and ideas.

The study of the advantages and disadvantages of the process allows us to track changes in different spheres of our lives and to predict possible developments in the future.

The diversity of relationships raises a number of contradictions that should be taken into account in the activities of governments, corporations, non-government organizations, and people. Awareness about the changes in the society in which we live, understanding the trends associated with the deepening of the interaction of the participants in the globalization process will allow national authorities to formulate correct strategies for long-term development.

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