GLOBALIZATION AND IT'S INFLUENCE ON THE ROMANIAN BUSINESS ENVIRONMENT

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Abstract
The main objective of this paper is to present and analyse how globalization is influencing the international business environment and what kind of impact is generating it on the Romanian business environment. As can be seen the organizations all over the world operate in a hyper-turbulent change-intensive environment. They use various change processes, such as outsourcing, downsizing, and reengineering, to ensure the continued success of the firms. An organization in its effort to adapt to these environmental changes faces the problem of adjusting and controlling the reactive changes. The final part of the paper is including several recommendations for the Romanian business environment in order to become more effective in the context of globalization.

Keywords: globalization, business environment, direct foreign investment.

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1. INTRODUCTION
Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure.

2. OVERVIEW ON THE LITERATURE
The researchers have noted that globalization is generating the system of interaction among the countries of the world in order to develop the global economy. According to the opinion of different authors, globalization is a process of increasing the interdependence of the world’s markets and businesses. As a result of several progresses in telecommunications infrastructure and internet services, the globalization has speeded up dramatically in the last decades as these kind of progresses make it easier for people to travel, communicate and do business internationally.

As most of them agreed, globalization refers to the integration of economics and societies all over the world. Base on their analyses it can be argued that globalization involves technological, economic, politic and cultural exchanges made possible largely by advances in technologies, communication, transportation and infrastructure. Joseph Stiglitz (Stiglitz, 2007) an economist and winner of the Nobel Prize defines Globalization as follows: Globalization "is the closer integration of the countries and peoples of the world ...brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders."

Another definition of globalization has been given by Thomas Friedman, political reporter for the New York Times, defines Globalization in terms of “paradigm shifts”.

"Globalization, global integration: ‘...a widening, deepening and speeding up of interconnectedness in all aspects of contemporary social life from the cultural to the
criminal, the financial to the spiritual’ (Held, 2003). Several dimensions of globalization can usefully be identified. These dimensions can often be analyzed separately even though they may have powerful interconnections. Economic globalization means the greater global connectedness of economic activities, through transnational trade, capital flows and migration. Environmental globalization could include the increasingly global effects of human activity on the environment (Ciocoiu, 2011). Cultural globalization (Colesca, 2003) may highlight the connections among languages, ways of living, and fears of global homogeneity through the spread of North American and European languages and culture. Political globalization may include wider acceptance of global political standards such as human rights, democracy, labor standards, environmental standards, as well as the greater coordination of actions by governments and other institutions across the globe."

Globalization is divided into four aspects or dimensions:

- Economic
- Environmental
- Political
- Cultural

Many researchers have noted that ‘Globalisation’ means ‘the reduction of the difference between one economy and another’ so that trade within and between different countries is increasingly similar all over the world. Globalization has become a big buzz word in the last 10/15 years, but it has been going on for centuries, and especially since 1945. What has changed is the pace of this trend; it used to be quite a slow process and in recent years it has become much faster (Burlacu, Jiroveanu, 2009).

3. MAIN FACTORS FOR SUPPORTING THE GLOBALIZATION

Some writers have stated the factors that generate a strong impact on increasing the globalization all over the world. Some of the most important are the following:

a) **Technological change, especially in communications technology.** For example, UK businesses and data by satellite to India (taking advantage of the difference in time zones) where skilled but cheaper data handlers input the data and return it by satellite for the start of the UK working day.

b) **Transport is much cheaper and faster.** This is not just aircraft, but also ships. The development of containerization in the 1950s was a major breakthrough in goods handling, and there have been continuing improvements to shipping technology since then.

c) **Deregulation.** From the 1980s onwards (starting in the UK) many rules and regulations in business were removed, especially rules regarding foreign ownership. Privatization also took place, and large areas of business were now open to purchase and/or take-over. This allowed businesses in one country to buy those in another. For example, many UK utilities, once government businesses, are owned by French and US businesses.

d) **Removal of capital exchange controls.** The movement of money from one country to another was also controlled, and these controls were lifted over the same period. This allowed businesses to move money from one country to another in a search for better business returns; if investment in one’s own country looked unattractive, a business could buy businesses in another country. During the 1990s huge sums of money, mainly from the US, have come into the UK economy.

e) **Free Trade.** Many barriers to trade have been removed. Some of this has been done by regional groupings of countries such as the EU. Most of it has been done by the WTO. This makes trade cheaper and therefore more attractive to business.
f) **Consumer tastes have changed, and consumers are more willing to try foreign products.** The arrival of global satellite television, for example, has exposed consumers to global advertising. Consumers are more aware of what is available in other countries, and are keen to give it a try.

g) **Emerging markets in developing countries,** especially the ‘Tigers’ of SE Asia, for example Thailand. There has been high growth of incomes in these countries, which makes large consumer markets with money to spend. Indonesia, for example, whilst still not particularly rich, has some 350 consumers. Both India and China are very poor countries, but there are small middle classes who are doing very well and have money to spend. Although these groups are small in the context of the country, the overall populations are so huge (over 1 billion) that a small middle class adds up to many millions of consumers.

### 4. THE IMPACT OF GLOBALIZATION ON THE INTERNATIONAL BUSINESS ENVIRONMENT

Emerging markets in Eastern Europe, India, Latin America, China and the rest of Asia present scenarios for higher growth, even on a risk adjusted basis. On an aggregate basis the statistics are impressive. For example, currently 80 percent of the world’s population accounts for 20 percent of world GDP. By 2015, 50 percent of world GDP will be accounted for by emerging markets. The main effects of globalization upon the international business environment are the following:

- **Rising Economies:** Over the past decade, China has routinely experienced 8 percent to 9 percent annualized growth and India has followed closely with 7 percent annualized growth.

- **Demographics:** For the most part, these markets represent younger populations, growing numbers of well-educated professionals, an expanding middle class, growing consumer bases, urbanization, and rising incomes. In addition, the structure of family life for these modern middle class populations is assuming the “western” nuclear form and moving away from the more traditional extended cohabitating family unit.

- **Commercial Demand:** The economic expansion, as well as the presence of global companies that bring employment oriented around intellectual capital, is creating demand for modern, western style commercial real estate infrastructure. Core assets such as office, industrial, retail, multi-family, and hospitality are all experiencing rising demand.

- **Infrastructure Improvement:** While communications, utilities, and efficient transportation can still be spotty in areas, it is much improved over what one would have experienced even a decade ago. In most metropolitan areas you will have most of the creature comforts that you experience in the United States.

- **Closed market systems opening up:** Most successful emerging markets have been engaged in systematic reform of basic societal values we take for granted in the developed world. These include property rights, legal process, and published regulations and statues. In addition, specific reforms such as privatization of state owned industry, relaxation of capital controls, and liberalization of rules regarding foreign direct investment are all encouraging growth and investment.

- In order to meet increased consumer demand, many businesses are attempting to expand their geographic footprint and extend their value chain to an international level. The impact of globalization on business is best evidenced by the huge proliferation in cross-border transactions. In order to protect yields and maintain competitiveness, businesses are continuing to diversify their footprint as it lowers the beta factor on their investments by spreading risk across a broader market.
5. THE IMPACT OF GLOBALIZATION ON THE ROMANIAN BUSINESS ENVIRONMENT AND THE WESTERN EUROPE

The number of MNCs in Romania has grown significantly, particularly after the year 2000. They have acquired mostly public utilities companies, manufacturing industries (cement, metal, machine building, petroleum), but also financial brokering and trade businesses. So far, no social unrest or economic events have occurred having as a specific target the public image of the MNCs operating in Romania. Generally speaking, the MNCs have not been noted as bringing any contribution to the improvement of the national collective bargaining pattern, but they did propose some best practices for the social partners.

189 new multinational companies will emerge out of Romania in the next 15 years, shows a recent PricewaterhouseCoopers LLP (PwC) report. Romania will thus be at a similar level from this point of view with Ukraine (192 new multinational companies in the next 15 years) and Hungary (221). However, the most new multinational companies in Central and Eastern Europe will emerge out of Russia (930) and Poland (287).

Romanian companies will be subjected to an increased competition, as the multinational companies from the emerging economies have a much more aggressive approach than the traditional competitors from Western Europe. In order to survive, the Romanian multinational companies must quickly reach a critical mass that will allow them to withstand such a fierce competition. This means not only gaining a strong position on the local market, but also expanding on profitable foreign markets, wherever they may be, as Alexandru Lupea, Partner, Assurance Services, Leader of the Energy, Utilities and Mining Group with PricewaterhouseCoopers Romania said.

The number of companies from emerging markets choosing to set up operations abroad has increased in the last five years, in part due to the rapid pace of globalization and the revolution in information and communications technologies. This trend is expected to continue over the next 15 years, as new multinationals from emerging economies rise in prominence on the global economic stage. Some of these new multinationals will become the international powerhouses and will require services all over the world, for example, in order to support their IT and telecoms networks, says the report entitled Emerging multinationals: The rise of new multinational companies from emerging economies.

“More new multinationals are moving straight into developed economies as opposed to setting up their first foreign operation in a neighboring emerging economy. These new multinationals are increasingly likely to be in business services or higher value-add manufacturing sectors as opposed to the more basic natural resource extraction sectors”, said Alexandru Lupea a capital market specialist during a round table discussion with some representatives companies from the Romanian business environment.

The international analysts used econometric techniques to project the amount of new multinationals that will arise from a representative sample of 15 emerging economies over the next 15 years: Argentina, Brazil, Chile, China, Hungary, India, Malaysia, Mexico, Poland, Romania, Russia, Singapore, South Korea, Ukraine and Vietnam. India is expected to produce the most new multinational companies, overtaking China as the emerging world’s largest source of new multinationals. Over 2200 Indian companies are projected to open operations outside the country over the next fifteen years. The South American countries in the sample (Argentina, Brazil, Chile and Mexico) are expected to be
a relatively smaller source of new multinational companies while the export-orientated South East Asian countries (Malaysia and Singapore), along with oil-rich Russia and the newly industrialized South Korea, are expected to continue to produce large amounts of new multinationals. Foreign investment in Romania in the first five months of 2008 were double the volume recorded in the first five months of 2007, with the value of the share capital subscribed by foreign companies in their local subsidiaries standing at 1.8 billion Euro, according to data with the National Companies Register Office (ONRC).

Subscriptions in companies running on foreign capital, January through May 2007, stood at 890 million euros. In May 2008, foreign investment reached 120 million euros only, down from a record 700 million euros in January. Yet, foreign investment in May 2008 was 30% larger than in May 2007. The subscribed capital advanced in the first five months of the year, although the number of start-ups was down at 5,600, from 6,515.

The most important player in terms of investment was Ion Tiriac Air, which increased its capital by almost 167 million euros, according to data with the ONRC. The second place in the same terms went to Omniaisig Vienna Insurance Group, in which the majority shareholder injected 30.6 million euros.

In the finance and banking sector, significant capital subscriptions this May were reported by Domenia Credit, MKB Romexterra Bank and AIG Life Asigurari. Domenia Credit, a mortgagor owned by the US giant General Electric, received 11 million euros in a capital injection.

Capital subscriptions in companies running on foreign capital is only one component taken into account for quantifying direct foreign investment. Table 1 is showing us which are the most significant foreign investors in Romania attracted since 2008.

**Table 1. Classification of EU’s countries based on the Foreign Investment in Romania**

<table>
<thead>
<tr>
<th>Position</th>
<th>Country</th>
<th>Foreign investment attracted (billion Euro)</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>France</td>
<td>82.5</td>
</tr>
<tr>
<td>2.</td>
<td>United Kingdom</td>
<td>68.1</td>
</tr>
<tr>
<td>3.</td>
<td>Spain</td>
<td>46</td>
</tr>
<tr>
<td>4.</td>
<td>Belgium</td>
<td>41.9</td>
</tr>
<tr>
<td>5.</td>
<td>Sweden</td>
<td>30.6</td>
</tr>
<tr>
<td>6.</td>
<td>Poland</td>
<td>11.6</td>
</tr>
<tr>
<td>7.</td>
<td>Romania</td>
<td>9.3</td>
</tr>
<tr>
<td>8.</td>
<td>Czech Republic</td>
<td>7.5</td>
</tr>
<tr>
<td>9.</td>
<td>Bulgaria</td>
<td>6.4</td>
</tr>
<tr>
<td>10.</td>
<td>Hungary</td>
<td>4.5</td>
</tr>
</tbody>
</table>

*Source:* World Report of the Foreign Investment in Romania in 2009 prepared by UNCTAD
As the representatives of the Romanian administration are declaring, Romania has a great potential and it is attractive for the foreign investors, but in order to be more attractive in the near future it should change the foreign investments policies in a significant way.

6. CONCLUSION
As it can be seen globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure. Name for the process of increasing the connectivity and interdependence of the world's markets and businesses. This process has speeded up dramatically in the last two decades as technological advances make it easier for people to travel, communicate, and do business internationally. Two major recent driving forces are advances in telecommunications infrastructure and the rise of the internet. In general, as economies become more connected to other economies, they have increased opportunity but also increased competition.

References