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Faculty of tourism and business logistics -
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CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY



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PREFACE

The Faculty of Tourism and Business Logistics in Gevgelija, at the Goce Delcev University - Stip, hosted the First International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century".

The conference was held on 24 and 25 October 2017 in Gevgelija with an optional visit to Dojran - Dojran Lake.

32 works of 60 authors from Serbia, Latvia, Turkey, Poland, Bulgaria, Kosovo and Macedonia were presented at the Conference.

The purpose of the Conference is exchange of ideas and experiences of the participants coming from Macedonia and abroad, and establishment of cooperation for further development of tourism and business logistics in Macedonia and beyond.

The results of the Conference are visible through publication in a collection of papers, which is presented to a wider scientific audience and the public.

In this way, we want to promote the Faculty of Tourism and Business Logistics, to promote Gevgelija and Dojran as the most visited settlements in the south-eastern part of Macedonia.

Gevgelija - Stip,
December 2017

Editor
Nikola V. Dimitrov Ph.D. *Dean*

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PROCESS OF GLOBALIZATION IN THE WORLD ECONOMY

Vlatko Paceskoski¹; Krume Nikoloski²; Emilija Miteva – Kacarski³

Abstract

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

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

1. The economic globalization concept analysis

The term “globalization” is widely used in various sources of literature. Many authors refer to it in different ways. It is a complex combination of economic, technological, sociocultural, political and other forces. Globalization is not a new phenomenon. It began in the late nineteenth century, but its spread slowed during the period from the start of the First

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World War until the third quarter of the twentieth century. The process of globalization accelerated during the eighties and is growing and developing ever since. This process has rapidly increase during the last 20–30 years under the framework of General Agreement on Tariffs and Trade and World Trade Organization, which made countries to gradually cut down trade barriers and open up their current accounts and capital accounts. This recent boom has been largely accounted by developed economies integrating with less developed economies, by means of foreign direct investment, the reduction of trade barriers, and in many cases cross border immigration.

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

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

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

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

In the present level of socio economic development the national borders are too narrow and there is a necessary need for a common global knowledge, appreciation and regulation or dismissal of the issues and problems that concern all countries and peoples, irrespective of the continent where they belong and level of development. This condition occurs as a result of a growing and diverse interdependence between countries in the world and the world economy. The system of international economic relations are regulated in the same way as it is placed before 5 decades, according to the concepts and interests of countries that at that time had primacy in the world economy. When developing countries started to appear on the world stage after the Second World War, they are faced with a system that does not suit to them and a system that exclusively promotes only the interests of developed

¹ Ocampo J.A. et al (2000): “Financial globalization and the emerging economies” United Nations and International Jacques Maritain Institute, Santiago, Chile.

countries. Today, when major changes are ongoing in the world and in the multilateral cooperation, the developing countries are marginalized on the world political and economic scene. In fact, they are forced to focus their activities to convey to the international organizations that are major promoters of international economic cooperation, such as the World Trade Organization, International Monetary Fund and the World Bank, which is exclusively a function of the developed countries. Although formally all member states agree that developing countries should provide better conditions for development, specific actions in this direction are running hard and with resistance from developing countries. In fact here we talk about really radical views and about deeply rooted principles and rules of the existing system. Let us emphasize the principle of non-discrimination, for example, which is the foundation on which rests the theory and practice of international trade. When developing countries expressed the need, that rule to be not applied in the international trade for the developing countries and to be granted preferential treatment for them, it was seen as a real shock. It was estimated that by such procedures will be disturbed the foundation of the system for international trade and that it will lead to discrimination in international trade, and so on. Also underdeveloped countries have never exercised the right to access the markets of the developed countries. Subsidies given from developed countries to their producers make them more competitive against products from developing countries.

The conditions in international trade mentioned above strongly reflect the competing interests of countries. These and many other trade issues shook the international trading system and disrupt its stability. Initial efforts for a new conceptualization of the international trading system are made by the institutions that are regulated by international trade relations. These reforms relate to: further liberalization and expansion of world trade to increase the welfare of all countries, especially the developing countries, strengthening the role of the WTO, improvement of the system of multilateral trade on the principles of the WTO, with the goal of enhanced multilateral discipline. However, the practice warns that unless radical changes are implemented in the total socioeconomic relations, it will remain unrealized. Transformations and settings of the WTO and other international organizations that govern international economic relations are WTO constantly transforms, this organization emerged from the transformation of a previously established system of trade relations-The Conference on Tariffs and Trade (GATT) that due to the adjustment of economic relations at the time had to be changed. These changes apply to the policies of the World Bank and the International Monetary Fund as well. The IMF imposes its ruling policy in developing countries, promising them access to capital, if they accept its decisions on monetary, fiscal and trade policy. It is not just advice; it is actually ultimatums which must be accepted in order to gain access to the capital market and to get development programs and funding from the World Bank in the developing countries. These issues are intertwined with the social policy in each country individually. Because of such interweaving in the developing countries internal conflicts occurred also, as well as a loss of power for the governments that their elections were gained in a democratic way. So huge are the efforts for long-term consolidation between the developing countries and international institutions, and these efforts are aimed at addressing of the need for convergence of economic performance as a priority and a necessary condition of finding ways that will provide a significant degree of

discipline and coordination for the implementation of national economic policies. Hence, starting from the complexity and conditionality of the total changes in international economic relations, it can be concluded that the resolution of the problems that they are facing, must be sought in a broader context, i.e. to include financial, monetary, trade and technological and developmental structures. Although, today, because of these inconsistencies and conflicts, there is no global development strategy in the long run yet it represents an inevitable perspective. The awareness for the basic cultural values of the new global society will give the model of sustainable development, according to which there should be a place for all, enough space for development and quality of life of all nations and countries with humanization of relations in the world.

3. Effects of economic globalization on emerging markets and developing economies

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

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

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

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

The abolition of capital controls in the rich countries means that citizens and corporations of the rich countries can now invest in emerging markets' economies. Even more importantly, trade liberalization means that emerging market countries' advantages in the factors of production (abundant land and labor principally) can be exploited.¹

Financial globalization could, in principle, help to raise the growth rate in developing countries through a number of channels. Some of these directly affect the determinants of economic growth (augmentation of domestic savings, reduction in the cost of capital, transfer of technology from advanced to developing countries, and development of domestic financial sectors). Indirect channels, which in some cases could be even more important than the direct

¹ Kraay A. and Dollar D. (2001): "Trade, growth, and poverty" Policy Research Working Papers, World Bank, June.

ones, include increased production specialization owing to better risk management, and improvements in both macroeconomic policies and institutions induced by the competitive pressures or the "discipline effect" of globalization. Financial liberalization tends to develop the financial system, enhancing the financing opportunities, reducing the cost of capital, and increasing investment and liquidity.

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

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

Financial globalization can also carry some financial risks. These risks are more likely to appear in the short run, when countries open up. One well-known risk is that globalization can be related to financial crises. The crises in Asia and Russia in 1997–98, Brazil in 1999, Ecuador, in 2000, Turkey in 2001, Argentina in 2001, and Uruguay in 2002 are some examples that captured worldwide interest.¹

Financial globalization can also lead to financial crises through contagion, namely by shocks that are transmitted across countries. For example, when two countries trade among themselves or if they compete in the same external markets, a devaluation of the exchange rate in one country deteriorates the other country's competitive advantage.²

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

Conclusion

Economic globalization is the increasing economic interdependence of national economies across the world, through a rapid increase in cross-border movement of goods,

¹ Schmukler S.(2004):" Financial globalization: gain and pain for developing countries" Federal Reserve Bank of Atlanta economic review second quarter

² Mendoza K. and Quadrini V. (2009):" Financial globalization, financial crises and contagion" National Bureau of Economic Research, Working paper 15432, Cambridge, October

service, technology, and capital flows. In the last decades, countries around the world have become more financially integrated, driven by the potential benefits of financial globalization.

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

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

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

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