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# The Role of the International Organisms in the Globalization Process

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Additional information is available at the end of the chapter

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## 1. Introduction

The tendency of economic globalization has its roots in the trauma of the the depression before World War II. American political elites (Council on Foreign Relations) became very careful to ensure that nothing similar will be repeated (Korten 1995).

Globalization can be seen as a means or system of acceptance and adherence to global problems of mankind (Dobrotici 1999). The following global issues are considered pressing for mankind:

- The food crisis and underdevelopment,
- Huge military expenses,
- Inflation and financial - monetary crises
- Energy and raw materials,
- Rapid Population Growth and Environmental degradation.

In the vision the United Nations, the globalization of these issues over mankind is based on the uniqueness of the world economy and it is linked to the fact that they occur in almost all countries containing technical, social economical, political and ecological mutual elements that cause propagation in the chain of the effects that need combined efforts to be solved.

Globalization does not work by itself, but through economical - financial policies. These policies, as any subjective factors, can accurately reflect reality or may deviate from it (Korten 1995).

Those who develop and apply these policies can only be major economical and financial power centers of the world created by these organizations to serve their interests (FMI, BM, OMC, etc.)

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United Nations (UN) with specialized international institutions responsible for different segments of the globalization process must act democratically, with transparency, accountability, impartiality and respect for the law.

In this paper we present some critical points of view regarding the measures and actions of these institutions and also proposals to reform them.

Effectiveness of actions taken by the UN is not at the level expected by the member countries. Many developing countries consider that the UN can aspire to become global legislator (Arbitrator of globalization), which can impose a new world order. Many economic problems necessary for the world wait to be solved after various global problems.

World Trade Organization did not solve the problem of agricultural protectionism. Nordic countries in their policies block access to their markets to products originating in Southern countries. Also, the problem is aggravated by the agricultural excess of developed countries. Coping with the globalization will not be possible by increasing national protectionism.

Reforming the IMF requires modernizing and adoption of financial assistance and must be correlated with a new vision of the conditions imposed on debtor countries, because a misguided policy will deepen the national economic problems. Differences between U.S. and EU should not be ignored.

### **1.1. Contemporary globalization – Conceptual determinations**

In the current context, the contemporary economy is approached as a block. States cannot exist in isolation, cannot live outside the network of relationships which are established at all levels. Therefore the world economy must be viewed as a system, as a whole composed of smaller or larger parts, more or less developed.

Economic globalization that characterizes today's economy, results mainly from transnational corporations and the large enthusiasm of resurgence regionalism obvious in Europe and in other parts of the world.

The term "globalization" has been developed to outline the realities of our world, namely: the internationalization of markets for goods and services and the emergence and proliferation of multinational companies concerned with the development of comprehensive financial, manufacturing, marketing and management.

Globalization is the second largest component of the contemporary world economy, after establishing the new economic order. From the perspective of the first dimension, the new paradigm of economic order, involves shaping the two trends: business's globalization and revolutionizing the information technology.

The term "new economy" is often met, nowadays in economical studies. One of the most popular definition is: "the new economy is a broad concept that describes an economy where both the final product and its intermediate phases consists in information and where digital information, offers a worldwide access to all information available at one time. These

new technologies are designed to potentiate the efficiency of conventional and traditional business practices and to facilitate the emergence of new processes and products.<sup>1</sup>

The main characteristics of the new economy are about cooperation and competition, the need for focusing on the customer needs, but also increasing consumption of human intelligence and creativity that results in a higher added value, new jobs, the reduction of resource consumption, growth of labor productivity.

Analyzing the new world order we cannot overlook the occult side of this reality that brings in the spotlight the military and economic actions of the main power centers (the "Group Bilderberg", "Illuminati", "Masonry") that use the instruments of the global financial institutions, imposing their own rules in order to dominate humanity.

In other news, new world order is the intersection of three contemporary phenomena: globalization, information revolution and the economic war.

"Globalization" is a term first introduced in a (Webster) dictionary in the year 1961; 30 years later it became part of the daily language as an obsessive word.

Professor Dinu Marin defines the concept of globalization as "the process of functioning of the global economy, which, in the global society, has become able to create global decision structures meant to solve global problems" (Dinu, 2003).

10 myths have appeared in relation to this process, which the critics have transformed into reality. Richard D. Mc. Carmich formulated the following globalization myths (McCormick & Richard, 2000):

1. It is a conspiracy of the transnational corporations against the small countries;
2. It concentrates the power over the market in the hands of those who direct a small number of huge corporations;
3. The evil genius of globalization is the information technology;
4. Globalization means "companies escaping the control of the law";
5. Globalization determines the decrease in the number of jobs;
6. Globalization undermines cultural diversity;
7. Through globalization, the work conditions standards decrease, resulting in the workers being turned into a sort of slaves;
8. Globalization destroys the environment;
9. Globalization involves the prosperity of the multinational companies at the expense of the consumers and of the small companies.

The American Initiative on behalf of the economic globalization has been built on two premises:

- Preservation of the existing capitalist system in the U.S., allowing the access to a lot of resources and global markets.
- The spread of the American economic model (consumer-oriented market economy) worldwide.

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<sup>1</sup> Bari I., "Globalizarea Economiei", Editura Economica, Bucuresti, 2003, p.53

A fundamental problem of the contemporary society is the report national - international in the economic field. Globalization is seen as a moment (stage) in the process of globalization in which the main actor is the multinational company, so as an expansion in the international market of production factors, greater mobility of the capital, a considerable increase in international investment and financial flows (see fig. 1.)



**Figure 1.** Effect on globalization

Globalization is profitable for multinational corporations who integrate in their own networks international production systems. Ensuring the economic development moves to a new level "the global market economy" while the insurance of the well-being of nations remains the same within the national area.

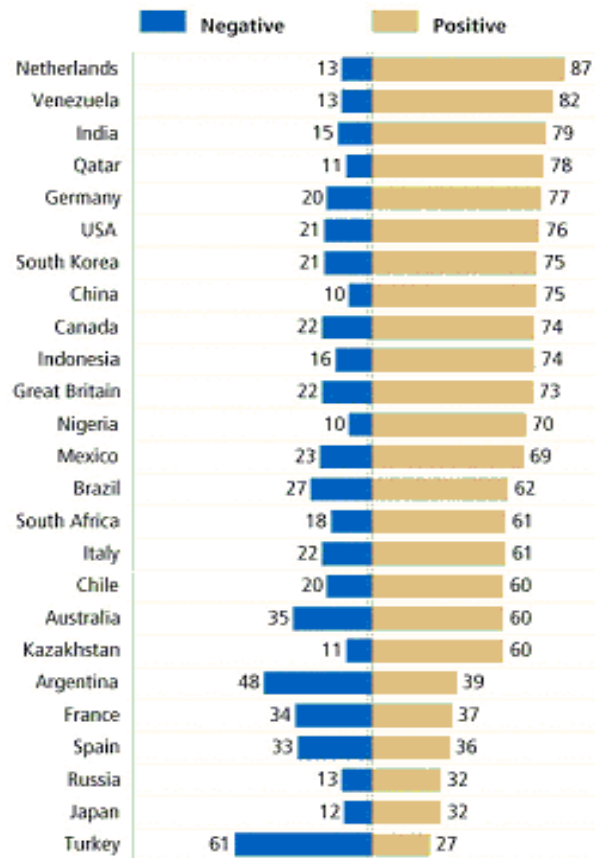
Globalization of world economy seems to carry on without rules in the last 20 years. The global unilateralism affirmed in the U.S. in its foreign policy immediately after the collapse of the Berlin wall worried the elites in the former socialist countries, now members of the European Union.

It is necessary that developing countries emerge in order to implement measures to mitigate the negative effects of a harsh globalization without rules that can generate planetary crisis, social anarchy (see fig. 2.)

Large multinational corporations see the State as a barrier to globalization as an anachronic economic actor and not as a regulatory authority and organisms of social cohesion.

State must remain the main actor on the world stage, as globalization is not only an alibi for the various forms of imperialism. The State must remain the place where democracy is exercised, the pillar of social cohesion and solidarity.

Also, globalization is not compatible with sustainable development. Globalization deepens the gap between the rich and the poor (see fig. 3.).



\* Globalization was defined as the increased trade between countries in goods and services and investment

**Figure 2.** Effects of globalizations on Respondent and family

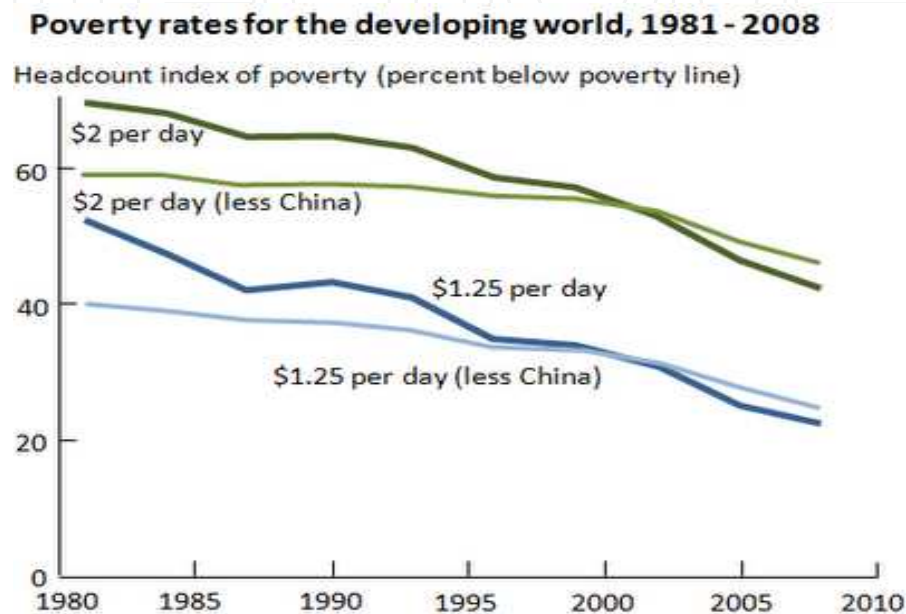
Globalization is a complex phenomenon, raising a large number of problems as soon as we try to find and give it a unanimously accepted definition. So, in time, the scientists and the public's opinion did not reach a common definition.

This is why we will continue by presenting a few definitions given to this term:

- "A process of surmounting limitations created by history. For this reason, it is synonymous with erosion (but not with disappearance) of the sovereignty of nation states and depicts a "detachment" of the market economy from moral norms and institutionalized connections between the societies (Elmar Altvater);
- The "quantitative and qualitative intensification of the transactions that go over the limit imposed by frontiers, concomitantly to their spatial expansion" (Ulrich Menzel);
- "An increased interdependence and integration of the different world economies". (Johannes Varwick);
- The "intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa". (Anthony Giddens);



- “The largest economic and social shift since the Industrial Revolution”(Dirk Messner/ Frany Huscheler);
- “A process of increase in the number of connections between societies and problem domains” (Johannes Varwick);
- “The unchaining of the world market powers and the weakening of the state’s economic power” (Schumann Martin);
- “The dynamics of globalization is driven by economic forces, but its most important consequences can be seen in politics” (Klaus Muller).



**Figure 3.** Poverty rates for the developing world, 1981 – 2008

## 1.2. The evolution of globalization

In our opinion, the globalization can be defined as a process of increasing interdependence of nation states by the growth of transnational ties in various spheres of economical, political, social and cultural life. So, the basic criterion of defining globalization is the increasing interdependence in the various sectors of the socio-political and economical life.

The concept of interdependence takes a variety of meanings depending on the motivations of those who employ it.

For us, interdependence is a mutually advantageous relationship between companies in different countries and / or national economies in a well defined legal framework.

Robert Gilpin defines this term as "a mutual dependence, though not equal", not accepting many of the so-called political and economical consequences. So, the benefits of interdependence are sometimes expressed by zero-sum or nonzero sum.

When we talk about the evolution of globalization we think about the presentation of the most significant moments in the history of this phenomenon. What could the evolution of globalization refer to?

In general economic terms, we could say that its purpose is the analysis of the history of the interstate commerce growth, based on stable institutions authorizing certain organisms to exchange goods more easily.

The first globalization era is often considered to be the period when gold defined the economic standard. Relying on the post-1815 British expansion and the goods exchange for cash, this first stage developed along with the industrialization.

David Ricardo and J.B. Say are among those who, through their works, provided the theoretical framework needed for the expansion of this incipient period of globalization. In their works on comparative advantage and the general law of the markets, the two authors uphold the idea that countries will trade efficiently and that the imbalances between demand and offer on the market will only be transitory and will adjust themselves.

About 150 years ago, David Ricardo considered that the comparative advantage is an application of the principle of specialization and exchange between firms, regions, nations. In his opinion each individual, firm, region or nation will have to win if they specialize in the production of those goods and services costing little and if they exchange them for products costing more.

From a chronological perspective, the globalization process appears as follows:

- Stage 1 – it is comprised between 1400 and 1750, being called “the primary stage”, and witnesses geographic discoveries, colonization and the appearance of transcontinental trading exchanges.
- Stage 2 – the interval 1750-1880, also known as the “incipient stage”; it is characterized by the formation of unitary states and the development of trading relations and the signing of the first agreements in the domain of international trading relations.
- Stage 3 – comprised between 1880 and 1925, it is also called “the stage of development” when the manufactured production developed, the means of transport evolved, the international trading as well as the population migration intensified and the multinational organizations took shape.
- Stage 4 - 1920 – 1927 when the great state powers crystallize and the worldwide organizations and institutions develop.
- Stage 5 started at the end of the 20th century, being characterized by the intensification of regionalization and integration, but also by the strong development of multinational corporations.

“The first globalization era” is divided into two distinct stages:

1. The first stage lasts until the end of the 1920s and the beginning of the 1930s.
2. The second stage begins after 1930, lasting until the Second World War.

After the Second World War, a second globalization age has been outlined. During this period, globalization was guided by negotiations, during a first stage under the stipulations of the GATT (The General Agreement on Tariffs and Trade) (Kegley, 2006).





**Figure 4.** What is Globalization & What Are Its Benefits?

This stage is much more “aggressive” than the first, if we analyze the world organisms appeared immediately after 1949, when three great international economic organizations took shape: FMI, BIRD and GATT (see fig. 4.)

During the present period, globalization is developing under the influence of three categories of factors:

- The increase of the international exchange area through the integration of new states from South America, Central and Eastern Europe and Eastern Asia.
- The development of exchanges, especially in the domain of services.
- The globalization of the organizations able to integrate their activities, especially their research-development, supply and trading, on a world scale.

Globalization is a complex process, which, as one can see from what has been previously outlined, has manifested its symptoms beginning a very long time ago (Pattern, 2009).

In his work “Lexus and the Olive Tree”, Friedman approaches globalization as that form of war that replaced the Cold War (Friedman, 2008).

Both the Cold War and globalization are systems characterized by a unifying feature, actually diametrically opposite for each of them, and by a symbol: the wall in the case of the Cold War and the web for globalization. In the case of the Cold War, the unifying feature was the division in time, while for globalization this feature is unification. In 1975, the Cold War reached its climax: only 8 % of the world countries had liberal, democratic regimes, characterized by freedom of the market, and the direct foreign investments were, according to the World Bank, of \$23 billion.

In 2009, the countries with a full democracy represented 18 %, those with a degraded democracy - 29 %, hybrid regimes - 21 % and the rest were authoritarian regimes. In

contradiction with the Cold War, globalization has its own dominant culture, concretized in the ample extension of Americanization. Some economists divide the history of mondialisation into three stages:

1. The internationalization related to the development of the goods and services exports flows;
2. The transnationalization of the direct investment flows and the implantation of the large organizations abroad;
3. The implementation of the world production and information networks, leading to a better combination and rationalization of the corporate activity in the worldwide economic area.

So, by the beginning of the 20<sup>th</sup> century, globalization became chronic, engulfing more and more states of the contemporary world. In the year 2000, the classification of the most globalized economies, established according to the A.T. Kearney index, situates the following states on the first ten places (see Table 1.):

| No. | Country       |
|-----|---------------|
| 1   | Singapore     |
| 2   | Ireland       |
| 3   | USA           |
| 4   | Great Britain |
| 5   | New Zealand   |
| 6   | Italy         |
| 7   | Portugal      |
| 8   | Israel        |
| 9   | France        |
| 10  | Australia     |

**Table 1.** Top 10 most globalized economies in 2000, according to the A. T. Kearney index

According to the Globalization Index elaborated by Ernst & Yang (Ernst & Yang, 2010), in collaboration with the Economist Intelligence Unit (EIU) in the year 2010, Hong-Kong is the economy with the highest globalization level from a number of 60 states under analysis.

Singapore, the holder of the First Prize in 2009, is on the third place, while Ireland moved from the third position to the second, during just one year. The place of Spain is unchanged, by comparison to the previous year, while Romania occupies the 30<sup>th</sup> position, being defeated by Bulgaria but in front of Italy, which holds the 31<sup>st</sup> rank, and in front of Greece, which is situated on the 35<sup>th</sup> position.

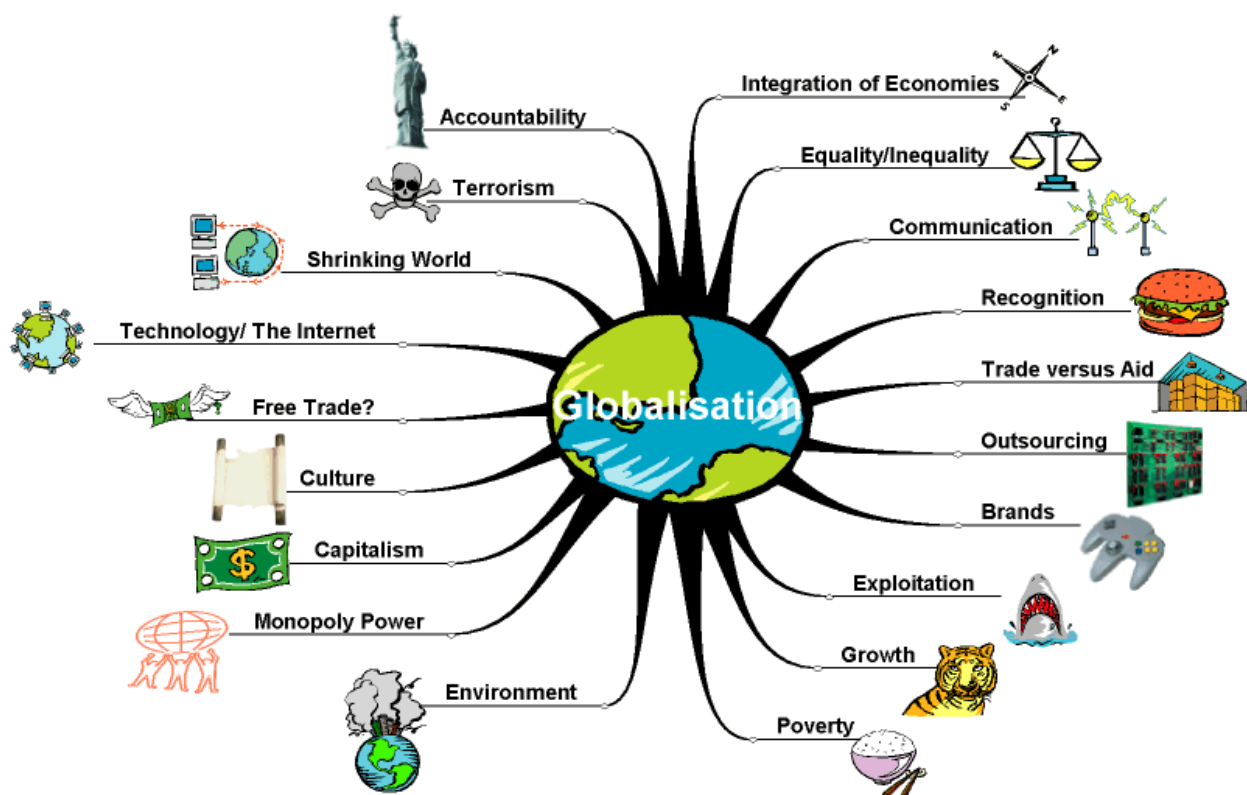
This index measures and tracks down the performance of the 60 largest world economies in relation to diverse indexes from the following categories: openness to the exterior, movement of capital, technology and idea exchange, labor force mobility and cultural integration.

In the modern globalization era, beside the classification of the most globalized countries, there is also a hierarchy of the most globalized cities. In order to establish the positions in this top, five criteria are analyzed for each city in turn, namely: economical activity, human capital, information exchange, cultural experience and juridical cooperation.

On the level of the year 2010, the first positions were occupied, in order, by: New York, London and Tokyo. Except for these, on the first ten positions, there were: Paris, Hong-Kong, Chicago, Los Angeles, Singapore, Seoul and Sydney. We can notice that four out of the ten most globalized cities are situated in Asia. As far as the cities of Europe are concerned, Moscow was situated on the 25<sup>th</sup> place, being preceded by London, Paris, Brussels, Berlin, Madrid, Vienna, Stockholm, Frankfurt and Zurich.

The outline of the contemporary globalization is largely shaped by the economical-financial crisis that has affected the entire world, with few exceptions. In this situation, globalization no longer appears as a phenomenon either so implacable or so irreversible or so American. In 2008, Thomas Friedman said, of course talking about the USA, that “we no longer need a financial salvation package, we need moral salvation”.

We need to reestablish the basic balance between our markets, morals and regulations. I do not want to kill the wild spirit required to move capitalism forward, but I do not want to be torn apart by it either. Sure, there are some globalization aspects that are irreversible, such as the transnationality of technologies or communications (see fig. 5.)



**Figure 5.** Globalization map

Yet, there are also reversible aspects, of an economic and cultural nature. What Asia brings now to the forefront in these realities are models containing different rules, confirming once again the syntagm “cash is king”. China is more stable than the USA, and the jobs, the production and the revenues are here now.

### **1.3. The IMF and the WB policies in the context of the globalization of the contemporary economy**

As shown in the last 20 years, globalization has brought to the countries of the world more disadvantages than advantages. For example:

- unfair distribution of benefits of globalization, the number of losers being greater than the number of winners;
- undermining the national sovereignty by passing the control of national economies of the countries from the hands of governments in the hands of powerful states, global corporations and international organizations;
- deepening regional and global instability as a result of economic crisis transmission from one country to another.

The main connections of the global economy with the international monetary-financial system result from the operational credit-financing operations, discount operations and liquidities regulation operations. The IMF and the WB group are notorious international financial-monetary authorities, built on the basis of global-scale concession, called to govern the dynamics and balance of the international financial monetary system.

The lack of cohesion in the political decisions worldwide and the difficulty of the global cooperation approach given by the heterogeneity of the actors involved led the two organisms to go further and further from the reason of their creation, arriving by the end of the 20<sup>th</sup> century not just outside the dialogue with the system of the United Nations, but also outside the dialogue with parallel organisms and even with its own members (Ekins & Tancredi, 2009).

The institution of the International Monetary Fund was created in 1945 through the provisions of the Bretton Woods agreement, as a specialized financial-monetary organism of the United Nations System, responsible at first for the good functioning of the Gold Exchange Standard.

The main responsibilities assumed by its status refer to:

1. The promotion of an international monetary cooperation and the goal of assuring a harmonious evolution in the international trade;
2. The promotion of a stable exchange rate system, while respecting the engagements assumed by its members;
3. Permanent assistance concerning the establishment and the coherent functioning of the multilateral payment system established among its members;

4. Maintaining the climate of trust in the policies of the institution, by permanently availing temporary resources to the members in order to balance the current balances of payments;
5. Preventing and diminishing the negative effects determined by the unbalances able to affect the fund members' international balances of payments.

The central pillar of the World Bank Group, namely BIRD (the International Bank for Reconstruction and Development) was created in 1945 simultaneously with the IMF and became functional in 1947. The initial goal of BIRD was to support the post-war reconstruction and later on to promote the development of its member states.

The World Bank is oriented towards economic assistance programs, development programs, and structural adjustment programs meant to fight poverty. In relation to the World Bank, the IMF represents the primordial institution as specialization and responsibility sphere in connection to the international financial monetary system – by its configuration and the arbitration of its functional architecture.

The IMF's main functions concern the specific processes of cooperation, assistance, information, supervision and intervention concerning the institutions of the international monetary-financial system.

Gradually, as both of these institutions got involved increasingly and steadily in finding solutions to reduce the debts of the developing countries, their activities partially overlapped.

So, in time, the World Bank shifted its attention from financing projects to the program for economic reform; the IMF gave more attention to the structural reform along with its traditional activity concerning the adjustment of the balance of payments.

So, the main directions of action of the two institutions refer to the mechanisms of macroeconomic stabilization and to their direct involvement in international economic problems.

The confusions related to the delimitation of responsibilities between IMF and the World Bank until 1999 are notorious. Following the IMF's repeated failures to stabilize the crisis in SE Asia (1997) and the crisis in Russia (1998), the specialized political economic forums have drawn an alarm signal about the mismanagement of their responsibilities, considering at a certain moment even the choice of their dissolution.

The insufficient or even defective involvement of these two international organisms into the global problems has drawn criticism and reform recommendations. The IMF is called to support - from the position of analyst and consultant - the macroeconomic condition in relation to the quality of the monetary regime and the structure of the balance of national payments from the perspective of the monetary and budgetary policy of its member states.

The IMF is criticized for its market fundamentalism and the absolutization of its monetary network, the administrative recipe for all the countries with different problems that have



appealed to the financial aid instruments. The IMF has given more attention to the aspects related to inflation, balance of payments, exchange rate policies, neglecting the aspects related to the real political, economical and social indicators.

The low interest concerning the negative economic and social effects of the application of the principle of conditionalities worsened the effects felt by the member states in the process of globalization of the capital flows. Today, the developing countries no longer trust the policies and the strategies of the international institutions.

Beyond the specific functional laws of the market economy, in the approach of the IMF or WB policies there are multiple variables encompassing all the five essential dimensions of the national regional or international balance, namely: the economic plan, the monetary-financial plan, the social plan, the political plan and the cultural one.

It has been noticed that the countries that assumed eventual sanctions by acting against the measures required by the IMF managed to rehabilitate their economy much faster (e.g.: Malaysia), compared to other countries that were technically subordinated to the monetarist networks of the IMF.

The financial crisis of Asia (1997-1998) began with the crisis of Thailand and then it generalized to all the countries in the region (South Korea, Malaysia, Indonesia, Philippines, Hong-Kong) (see fig. 6.)

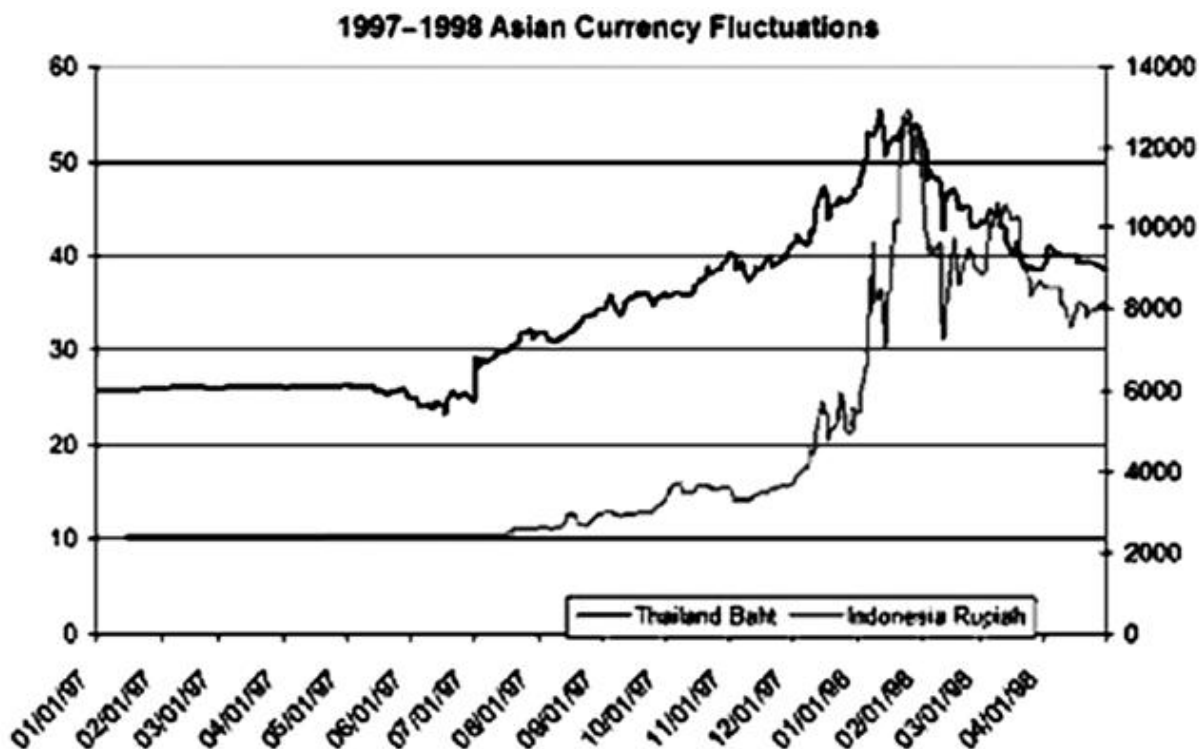


Figure 6. Asian Crisis Price Action

The basic cause of this crisis is also the crediting expansion, which led to the development of certain entrepreneurship programs. The effects were some of the most difficult for these



countries, for instance: Korea's GDP in 1998 decrease to 33% of the GDP of the year 1997 and in Indonesia the GDP / inhabitant went down by 44% in 1998 compared to the previous year. Some specialists analyzed the losses appeared following the financial crises, beginning with the year 1980 and until 2002 (the crisis in Japan). The losses were quantified as ratio of the respective country's GDP (see Table 2).

| Country       | Year        | Cost (% GDP) |
|---------------|-------------|--------------|
| Argentina     | 1980 -1982  | 55%          |
| Argentina     | 1995        | 2%           |
| Mexico        | 1995 – 1997 | 14%          |
| Brazil        | 1995 – 2000 | 5 – 10%      |
| Chile         | 1981 – 1983 | 41%          |
| Cote d'Ivoire | 1988 – 1991 | 25%          |
| China         | 1990        | 47%          |
| Indonesia     | 1997 – 1999 | 50 – 60%     |
| Korea         | 1997 – 1999 | 15%          |
| Thailand      | 1997 – 1999 | 24%          |
| Malaysia      | 1997 – 1999 | 10%          |
| Philippines   | 1998 – 2000 | 7%           |
| Russia        | 1998        | 5 - 7%       |
| Spain         | 1971 – 1985 | 17%          |
| Finland       | 1991 – 1993 | 8 - 10%      |
| Norway        | 1998 – 1992 | 4%           |
| Sweden        | 1991 – 1993 | 4 - 5%       |
| USA           | 1984 – 1991 | 5 - 7%       |
| Japan         | 1990 – 2002 | 17 - 20%     |
| Israel        | 1971 – 1983 | 30%          |

**Table 2.** Cost of the financial crises

The years 2000 culminate with the greatest financial crisis in the economic history, more serious by far than the well-known 1929 crisis. The actual crisis, which began in 2007, in the USA, is a subject of controversy as far as the causes of its appearance are concerned: this topic was debated quite a lot, and the different potential causes highlighted by the specialists of the economic, political and social environment, theorists and practitioners, were submitted to a detailed analysis.

Starting from the idea according to which the losses non-recorded by a nation will be found on the level of a third winning country, the world economy needs a promoter of equitable

productive grounds and specific legislations concerning the output and the comparative advantage.

At present, the financial market has the following features:

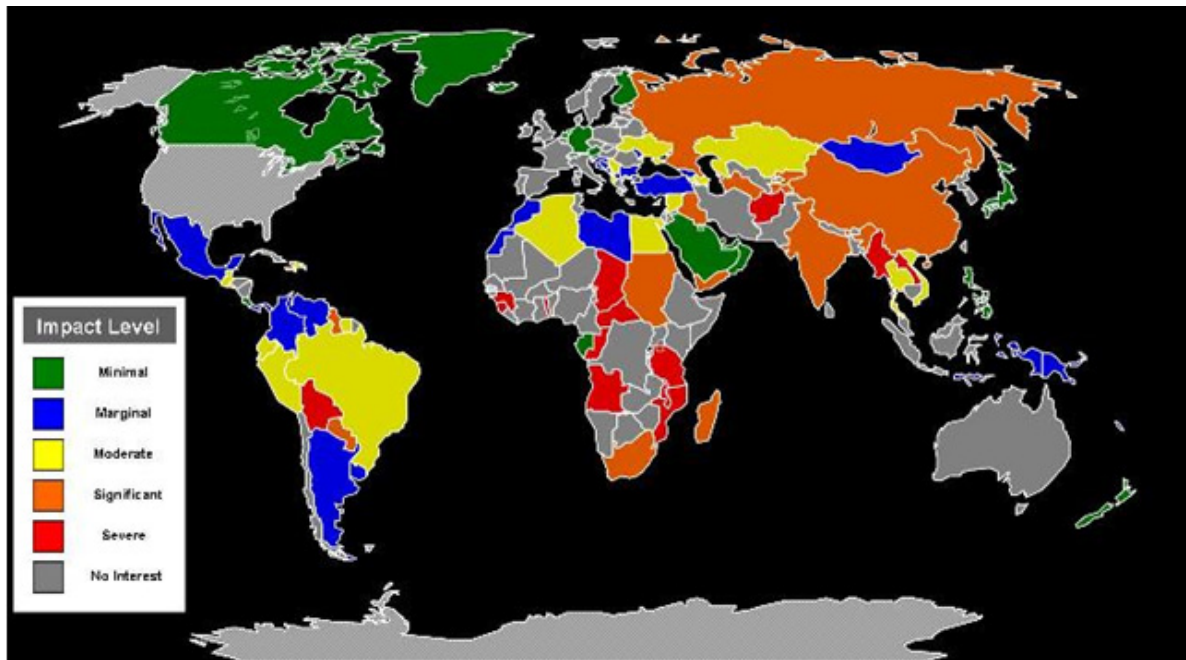
- The capital market acquires the most important role in the general picture of the international financial market, and it is closely connected to the international currency market;
- The international financial economy has detached itself from the real economy. Money as a symbol of fortune and as an instrument for payments has value in itself and is traded as such. The positive consequences of this evolution is the birth of new financial assets, the creation of new jobs, while the negative consequences consist in the fact that the symbolical economy may evolve aberrantly, its crises triggering the occurrence of crises in the real economy as well;
- The domination of the market by the great institutional investors (mutual funds, retirement and insurance companies);
- The increasingly volatile interest and exchange rates often lead to the increase of the financing cost;
- There has been a shift from an economy of endebment to a speculative economy, dominated by the primacy of the financing of speculative operations. The volume of the speculative operations represents about 90% of the total volume of the financial operations;
- The financial markets of different financial products are intricately interconnected, the specialists being faced with serious difficulties when it comes to understanding the multitude of connections presented among them and to evaluate the effects triggered;
- In the international financial system, there is a high aggregated risk.
- The IMF and the World Bank have contributed to deepening the dependency of the underdeveloped states of the world economy, and then to opening their economies to the corporatist colonization.

“There are, normally, two ways of making money without producing value; one is creating debts and the other is overbidding the assets’ value. The world financial system uses both of these ways to make money without producing any value” (Korten, 1995).

Joseph Stiglitz, an Economics Nobel laureate, has criticized the IMF programs. The IMF country networks have failed. In the East, Poland has respected its contract, and now it is doing bad. The same has happened to the Romanians, mentioning that they were not consistent in respecting the stand-by agreements. The IMF prescription condemns the patients to crisis. The IMF along with the World Bank and the WTO are poor globalization managers (Stiglitz, 2003).

It is the poor countries that have to bear the troubles (see fig. 7.). Governments need the IMF for a good image on the international capital markets, but also in order to balance their budgetary deficit. The program claimed by the IMF pursues: privatization, liberalization of the capital markets, price liberalization and trade liberalization. Using the conditions

imposed by the World Bank to grant credits, governments rush to privatize the companies to the national disadvantage, but with personal advantages.



**Figure 7.** Disease impact on engage in opportunities & confront challenge of globalization

Multinational corporations can buy local industries cheaply, benefiting of: fiscal facilities, free areas, small salaries, and end up by totally controlling certain economic branches. As far as the foreign capital is concerned, it is oriented towards estate and currency speculations, and at the appearance of the slightest sign of economic crisis it withdraws, affecting the global economy (for example, the crisis in Mexico).

Price liberalization means blowing up the prices for foods and public utilities. In the case of trade liberalization, local producers are forced to compete, to their disadvantage, with international producers. In some countries, trade liberalization has triggered bankruptcy and unemployment.

“Huge world corporations control and manage the world’s money, technology and markets, acting only based on profit, without taking into account any human, national and local considerations” (Korten, 1995).

During the last more than two years, the world has gone through the most significant economic and financial crisis in its history. The globalization process has not been stopped; on the contrary, it has taken forms and features induced by today’s world phenomena, especially as most developed countries are in a more difficult situation compared to the emerging countries, which have continued to go through a period of economic growth.

So, in the year 2012, globalization can be regarded as an “orphan” cause, to a certain extent, as the governments have set as a priority the national interests over the international ones. We will witness the developed countries’ repeated attempts to recuperate their losses of economic and political power.

The emerging countries will desire stronger positions in a new economic and political world order, positions able to correlate their wish to reality, increased access to global decisions with their economic and financial power accumulated during the last few years.

Recent opinions have asked for an “improved multilateralism”, as IMF and a World Bank acquired “renewed” statuses. Walking out from the crisis will require extremely high financial resources, and the solutions of the IMF or of other international financial institutions could become more efficient only if these organisms avail themselves of enough resources in the long run.

If the world were to realize a transition from the crumbling institutions of the Bretton Woods system towards a more stable international order, then the problems discussed as fundamental themes in the international political economy should obligatorily be solved (Gilpin, 1999).

“In the future the key issue for the IMF and the World Bank needs to be the acceptance of the fact that they play an inevitable political role.” Neither is a technocracy without engagements. They both need to improve their openness and transparency, and they both have to become more responsible towards the poor countries, which represent their main clients.

Although countries are obviously unequal in what concerns power, globalization has to bring benefits both to the poor countries and to the rich ones, and the international financial institutions will be despised and irrelevant if they do not become responsible in front of all their members (Coyle, 2000).

#### **1.4. The role of the World Trade Organization in the globalization process**

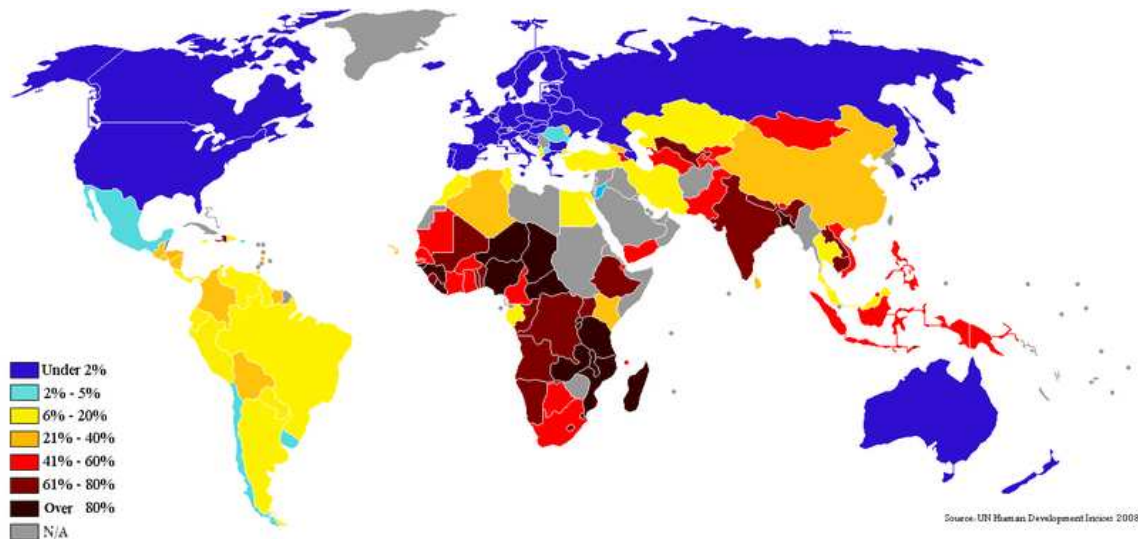
The WTO has gone too far encouraging the trade liberalization, which triggered the incapacity to get the labor and environmental norms to be respected, determining the countries to lift their protectionist barriers.

The Generalized System of Preferences (GSP) mechanism for developing countries and the changes proposed by the EU in this respect have not functioned. Through their agricultural policies, the rich countries block the access on their markets for the products coming from the poor countries. This represents a hindrance for the latter.

For many poor countries, agriculture represents one of the few domains in which their enterprises are competitive (Fellous, 2006). Over 50 developing countries realize  $\frac{1}{4}$  of their GDP out of their exports of agricultural products. Lacking the possibility to export agricultural products on the European, American, Japanese markets, these poor countries have few chances of having recourse to the technology imports that are so necessary for their development.

The issue of agricultural protectionism has been aggravated by the agricultural excedents of the rich countries. The artificial European excedents put pressure on the international markets, contribute to the decrease of the prices of the agricultural products and consequently reduce the earnings of these developing countries.

In these countries, where hundreds of millions of people have an income under 1 Euro/day, the consequences of a cut in the exports' prices can make the difference between life and death (see fig. 8.)



**Figure 8.** Percentage population living on less than \$2 per day

There is a flagrant contradiction between the official declarations putting at the forefront the need to help the poor countries and these countries' agricultural policies. For the developing economies, the WTO has triggered nothing else but negative consequences. So far, the WTO has not attained the fundamental goals put down in its status, namely to increase prosperity for all its members and to realize full employment.

On the contrary, in the North-South relations, WTO has favored the neocolonialist tendencies of its rich members, allowing for an unprecedented richness transfer from the poorest countries to the richest countries (Negroponti-Delivanis Maria, 2007).

The USA conceived and promoted the trade liberalization system, yet they had recourse to protectionism when their own interests were at stake. While strong economies have recourse to protectionism for one product or the other depending on their specific interests, the developing economies are forced to open without conditions, bearing the consequences.

The developing countries realize that they need to react together and are able to resist the decisions that are detrimental to their interests. Some countries that have reacted within the WTO are: Brazil, Mexico, India, Egypt, South Africa.

Many of the provisions of the WTO agreements are presented as necessary to assure the efficient functioning of the competitive markets.

However, the WTO did nothing to limit the capacity of the transnational corporations to use their economic power to eliminate their competitors using unjust means, forming strategic alliances with their rivals to share production facilities, technology and markets. The WTO has requested the government's intervention for the protection of the corporate monopoly rights on information and technology.



Extremely dangerous is the extension by means of the WTO of the right to international protection for patents, genetic materials, including seeds and natural medicines. The corporatist colonialism is by no means a consequence of some inescapable historical forces. It is the consequence of conscious options based on the pursuit of an elitist interest.

This elitist interest has been closely allied to the corporatist one in the promotion of the economic deregulation and globalization (Korten, 2007). Trade globalization has become possible due to the liberalization of the circulation of goods worldwide and to the rapid development in communications and informatics.

The development of the trading capacity needs to be supported by the rich countries using debt reduction and technology transfer policies. The trading rules should allow the developing and poor countries to protect certain sectors of their national economy. The developing countries need concrete national policies, giving them the opportunity to participate to the development of the external trade, access to credits and a favorable taxation system.

After the Second World War, the successive rounds of certain economic negotiations from the General Agreement on Tariffs and Trade (GATT) led to an important decrease of the tariff-related barriers and to the development of the world trade. Later on, the balance between the forces of liberalization and those of the economic nationalism began to deteriorate; towards the middle of the 1970s, the economic nationalism managed to lean the balance in the direction contrary to the trade liberalization and the growth slowed down (Gilpin, 1999).

In the 1980s, the extension of protectionism affected more and more the nature of the trading system and the international location of the production worldwide.

The WTO replaced the GATT on 01.01.1995. Its main goal is the liberalization of the international trade, by abolishing the tariff and non-tariff obstacles to trading. The WTO is the only organization establishing the rules of operation in international trading and has adopted the GATT's fundamental principles. These principles are:

- Non-discriminating commerce:
  - a. The most favored nation; treating the others equally;
  - b. National treaty; equal treatment for nations and foreigners
- A freer trade by means of negotiations and of "progressive liberalization".
- The possibility to consolidate the bonds when the countries decide to open their markets for goods and services.
- Developing a fair competition based on a system of norms meant to acquire a free, fair competition, free of distorts (misrepresentations).
- Economic growth and development by supporting economic reforms.

The power of negotiation of each of the 135 WTO member states finally depends on their importance, and that is why the three biggest economic powers, USA, EU and Japan can impose their goals and their will.

The WTO agreements, which were negotiated and signed by most of the countries taking part in the world trade, constitute the WTO core. These documents establish fundamental juridical norms that have to be "transparent" and "predictable".



The WTO agreements are intense and complex because they refer to juridical texts that approach a large array of activities, such as:

- agriculture;
- textiles;
- banking services;
- telecommunications;
- public contracts;
- industrial norms;
- rules concerning food health;
- intellectual property.

Disagreements are solved in the WTO by means of an impartial procedure, based on a convened juridical ground. When a contestation concerning a local or national law is brought before the WTO, the parties to the dispute present the case during a secret hearing in front of a commission made up of three experts in the domain of trading (generally jurists).

The burden of proof is placed upon the defendant. He has to show that the respective law does not constitute a trading restriction, according to the General Agreement on Tariffs and Trade (WTO).

If a commission decides that an internal law is a violation of the WTO rules, it can recommend that the accused country change its law or face financial penalties, trading sanctions or both.

The states trying to provide a preferential treatment to local investors at the expense of the foreign ones or which do not protect the rights of intellectual property of the foreign companies can face charges. National interests are no longer valid grounds for the national laws under the WTO regime. The interests of the international trade, which are first of all the interests of the transnational corporations, go to the forefront.

The world standards concerning health and food security in the WTO are elaborated by a group known as Codex Alimentarius Commission, or CODEX. The critics of CODEX have noticed that it is profoundly influenced by the industry and it tends to balance the standards by lowering them (Korten, 1997).

### **1.5. The United Nations' directions of action**

The eradication of the world poverty and the reduction of the great gaps between the world's rich and the world's poor have become the crucial problems of this century, representing the source of the most dangerous political, economic and social conflicts possible, which can endanger the international stability. The solution to these problems does not have to do only with the allotment of more material and financial resources.

The world economy has grown at unprecedented paces during the last 50 years, the global world product increasing seven times over, yet global poverty has not decreased and the gaps continue to grow even deeper.

The main cause are the rules governing the market functioning, which have always generated and permanently generate social polarization – the accumulation of the richness in the hands of a minority and the perpetuation of the poverty for the largest part of the masses. This rule has functioned nationally even since the incipient stage of the primitive capital accumulation and has now extended on a planetary level, in the context of the globalization of the world economy.

Remedies are necessary therefore to limit these effects of the market. Nationally, it is the states' role to promote such remedies. An example of efficient measures has been given by the West European states, which have promoted, after the Second World War, the concept of social market economy and have realized the social European model.

The problem is the following: who should promote such remedies on the level of the world economy?! The UN and its specialized institutions have not availed themselves of such tools. These issues have also been debated during several world summits because they have become present preoccupations of the world community.

In the spring of 2002 at the Monterey summit dedicated to the financing of the programs meant to fight against poverty, the French president Jacques Chirac launched the proposition of the creation of a UN Economic and Social Security Council to deal with such problems.

Supporting the essence of this proposal, but taking into account the difficulties related to its promotion, which would suppose the modification of the UN Charter, we have proposed the use of the existing institutions, namely the transformation of the ECOSOC (Economic and social council), which is a consultative UN organ, into a coordinating organism, which together with the IMF, the World Bank, the World Trade Organization and the International Labor Organization, should constitute a Forum entrusted with the mission to elaborate a strategy promoting certain remedies for the functioning of the world market, introducing commercial and fiscal rules in favor of the developing countries and pursuing the goal of reducing in time the worldwide economic and social development gaps.

In the activity of the United Nations Organization, the economic issues have acquired a special importance, attaining proportions never foreseen by the Charter.

The economic function of the UN concomitantly comprises debates, studies, the conceptualization and the determination of the main directions in the domain of the world economy. At the same time, the institutional framework meant for international economic collaboration has amplified and the decision-making methods have improved.

At the UN, as well, there is a tendency to promote the concept of globalism, which designates the need to approach the world economy problems using an overall vision, in a world of continued increase of the economic independence in which the realization of a collective economic security is becoming a must.

The national sovereignty and the non-interference in the internal affairs of States are consecrated in the international law and in the international organization. The international

law and the international organization constitute an important part of the political reality because they influence the way in which States behave. States are interested in the international law for two reasons: anticipation and legitimacy (Nye, 2005).

## 2. Conclusions

Can globalization be implemented without the creation of supranational coordinating organisms? Some analysts, among which John Kenneth Galbraith, answer affirmatively to this question; they form the sovereignists' camp, while others answer negatively to this question, forming the supranationalists' trend.

What mankind needs today is not just any globalization, but a globalization with a human face, namely one in which the benefits of globalization should be divided equitably among nations internationally and among people nationally.

In order to set globalization on the values of equity and social justice, what is needed is reforms and new rules of conduct in the global governance organizations, IMF, WB and WTO.

The world economy is faced with the first recession of the globalization era. "Today, there is no similar system supervising the world globalization process. We have global governance, without having a global government. In exchange, for the last 50 years, we have had a system of institutions such as WB, IMF and WTO, which are responsible for different segments of the process, development, trade, financial stability. The way in which these economic organizations are led comes from the way in which they developed throughout the years: non-democratically, non-transparently, depending on the great interests, at the expense of the poor countries" (Stiglitz, 2003).

The governments accuse globalization for the loss of the national sovereignty triggered by the unrestrained growth of the force of the financial markets and of the multinational companies.

The problem raised at present is related to the reform of the international organizations, so as to serve not only the rich and the developed industrialized countries, but also the poor and the less developed countries.

The IMF and the World Bank were at the center of the major economic problems of the last two decennia, which also include the financial crises and the transition of the former communist states to the market economy. In its relations to a particular country, the IMF was conceived so as to limit itself to the macroeconomic issues: state budget deficit, monetary policy, inflation, trade deficit, contract-related policy for credits coming from external sources.

The World Bank was meant to deal with structural problems – what the government of the respective country spent money on, the country's financial institutions, the labor force market, trading policies.

We can certainly affirm that not only did the IMF not fulfill its initial mission of promoting global stability, but it also did not have any more success either in the new missions it undertook, such as the coordination of the former communist countries' transition to the market economy.

The WTO needs to adopt decisions having for a goal the facilitation of the penetration on the international market of certain firms from the developing countries which have potential and prove that they have the capacity to align themselves to certain standards imposed by the international organizations for a determined period of time.

In order for this goal to become reality, it is necessary that the WTO along with the other international organizations should plead for the adoption and implementation of decisions in favor of the Southern countries, such as the allotment of non-reimbursable funds and loans under more advantageous conditions, giving specialized technical assistance in order to instruct managers for an efficient resource allotment and for the adoption of policies and strategies allowing the attainment of the proposed goals.

In this sense, the developed countries should provide the developing countries with effective technologies and equipments under advantageous conditions, should assure the necessary specialized technical and financial assistance so that the countries of the South may be capable of exploiting the raw materials that they have and of using the abundant and relatively cheap labor force available.

The economic policies elaborated in Washington by the international economic institutions and their application in the developed countries were not adequate for the countries going through the first stages of their development or through their transition. Most of the advanced industrialized countries have created solid economies for themselves by selectively protecting some of their activity branches until they were strong enough to face the competition of the foreign companies.

The worldwide practice has demonstrated that obliging a developing country to open its market to import products that would compete with those realized by certain branches of its national economy triggered disastrous social and economic consequences. Jobs systematically went missing, the poor farmers of the developing countries simply could not face the competition of the products supported by strong subventions coming from Europe or the USA, before the industry and agriculture of these countries were able to develop and create new jobs.

Because of the IMF's insistence that the developing countries should continue to apply restrictive monetary policies, the interest rates reached levels that made it impossible to create new jobs, even under the most favorable conditions. Because trade liberalization was realized before taking the necessary social protection measures, those who lost their jobs became poor, while those who did not lose their jobs had a strong feeling of insecurity.

So, much too often, liberalization was followed not by the promised economic growth but by the increase of poverty. The decisions of a certain institution normally reflect the conceptions and the interests of those who make them.

The disappointment related to actions undertaken under the guidance of the IMF has grown as the poor of Indonesia, Morocco or Papua-New Guinea benefit of increasingly lower subventions for fuel and food, those of Thailand see the AIDS spreading because of the health expense cuts imposed by the IMF, and the families of many developing countries, having to pay the schooling of their children as part of the so-called “cost recovery” programs, choose not to send them to school anymore.

One might wonder if the IMF is really needed today. It is the UN that should be conceived so as to help the countries develop their interactions, should facilitate these interactions and should make them function efficiently in a multilateral system.

A constantly divergent dimension in the discussions on the notion of system reform refers to the centralization-decentralization dilemma. The realization of the international cooperation tasks on the scale and magnitude demanded by the Charter, in such diverse domains would not have been possible on a centralized level. The international action in the economic and social domains depends on the active participation and complementary action of the national authorities in each domain.

They can operate by means of a direct association with the international partners, so decentralization is an objective need. The role of the international organizations in the occurrence of financial stability consists in:

- Operating prudently in promoting the liberalization of capital;
- Describing conditions for its acceptance by individual countries;
- Avoiding too restrictive macroeconomic policies and structural adjustment policies that have not proved their efficiency;
- Ending the global monopoly of the International Monetary Fund.

The UN has an indispensable role in preventing and mitigating the consequences of the conflicts, not just by its actions in the strict sphere of the peace-keeping operations or other military and security actions but also by all its others preoccupations, such as the promotion of sustainable development, the respect for human rights and the development of the international law.

The UN does not only have to pursue the increase of its own role in this direction, but it also needs to stimulate the mobilization of the resources of the international financial institutions in common projects.

Unfortunately, at present one cannot speak about the existence of a world organization able to significantly reduce the inequalities between the countries of the North and the countries of the South, governing according to its own rules, without being influenced by the governments of the most industrialized countries.

We need important reforms of the existing world organizations or even the disappearance of the existing ones and the creation of new institutions able to apply the laws objectively, to adopt decisions, strategies and plans, serving the interests of the whole world and not just the interests of the main industrialized countries, able to “listen” to the problems of each



country in turn, to adopt specific measures for each of them, to find solutions as adequate and as close to reality as possible. The pressures exerted by globalization on the economy and on the lives of the people of our planet are felt more and more intensely.

At the same time, we should “transform the terrible economic crisis into an opportunity of launching a new era of sustainability”. Development and sustainability are the goals of the “model of capitalism of the 21<sup>st</sup> century”.

The United Nations Environment Program has developed a new concept: A Green New Deal (UNEP, 2008), representing a program of public investments in infrastructure and technology, by means of which the countries can assure the rehabilitation of their economy, can keep the unemployment rate under control and, in the long run, can obtain competitive advantages.

In other words, everything that was considered true until now has become outdated. The state’s strong intervention is not the only way to overcome the financial crisis, yet with a new practice of the concept of sustainable development, it should become reality.

The sustainable development concept was created more 22 years ago and it has been accepted and adopted in almost all the international institutions.

A fact that should not be forgotten is that the European Union, the main promoter of the environmental protection measures, renewed its sustainable development strategy in 2006, its main instruments being: the institution for regulation and modernization, a new fiscal philosophy and an improved subvention structure. Moreover, the end of 2008 brought forth the adoption of the European economic restoration plan, aiming to “create jobs in the EU in the short run and in the long run, providing the first engine that creates advantage and brings benefits in terms of economic growth, energy security and environment” (European Commission, 2009).

The increasing unemployment, social polarization, corruption and violence, even in the context of economic growth and maximization of the great companies’ profits, trigger deregulations on a world scale, which maintain a condition of insecurity and distrust concerning tomorrow.

More and more of the countries that sold their public enterprises to the private sector and deregulated their market have become the property of the great multinational groups. They dominate entire countries in the South, and they use these countries in order to exert their pressure in the international forums and to obtain the political decisions that are the most favorable to their interests.

These economic globalization phenomena and this concentration of capitals both in the South and in the North, destroy social cohesion. In the context of globalization, the national economies have to survive by avoiding the destruction of their balances. Resources should be used in an economical and non-polluting way, primarily valorizing the local ones.

Each state should harmoniously integrate its local cultural and artisanal traditions in projects of zonal and regional development and should affirm its identity according to its



natural resources potential, to its productive capacity, and its cultural matrix, valorizing the trumps available to it.

Another aspect would be the acute need to regulate the interstate economic relations, to organize an institutional cooperation tool able to contribute to a balanced evolution of the world economy.

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