

I. ARTICLES

*Małgorzata Domiter**, *Bogusława Drelich-Skulska**

GLOBALIZATION OF INTERNATIONAL RELATIONS

The basic thesis of this work is that globalization of international relations is a multi-aspect phenomenon which changes the conditions of the contemporary international trade. In order to prove this thesis, the authors analyse the causes and effects of the globalization process.

Keywords: globalization, international economics

INTRODUCTION

Globalization, being a process of elimination of border barriers, targets at the liquidation of tools and methods used to provide protection against external competition. It makes people, enterprises and states face frontal and unrestricted competition. The gradual liberation of the market from restrictions imposed by the state that has up to now been a sovereign ruler not only weakens but also eliminates all barriers to the free movement of workforce, capital, knowledge and technologies in the entire world economy. The purpose of this article is to indicate and analyse economic changes which have taken place in the contemporary global economy due to the globalization process.

1. CONCEPT AND CHARACTERISTICS OF GLOBALIZATION PROCESS

Globalization is one of the most frequently used concepts in economic writings. However, the phenomenon remains difficult to measure, having no clear boundaries and, therefore, hardly yielding itself to an accurate definition. Globalization processes pervade every aspect or phenomenon of international relations and, at the same time, it is difficult to determine what happens as a result of globalization, and what happens regardless of it.

* Department of International Economics, Wrocław University of Economics

Scientists and researchers who study international relations cannot agree either on the variables which should be taken into account in order to determine as precisely as possible the impact of globalization on international relations. In addition, the question arises concerning which point of time should be accepted as a starting point. Clearly, they are not expected to indicate a particular date, but rather a stage or event in the international relations evolution process.

Emphasizing the lack of a universally accepted definition of globalization, the Lisbon Group authors identified its seven areas (Grupa Lizbońska 1996, p. 48): globalization of finances and capital ownership, globalization of markets and strategies, globalization of technology as well as of research and knowledge, globalization of lifestyles and consumption models (globalization of culture), globalization of government and legal systems, globalization as a political unification of the world, globalization of perception and awareness.

It is assumed, at the outset, that globalization constitutes a higher, more complex and advanced stage of the internationalization of business activity, which takes place simultaneously on the three levels of: enterprises, sectors and global economy.

The literature on the subject voices an opinion more and more often that globalization is not a 20th century invention, indeed, it was already present on a far bigger scale in the 19th century (Oziewicz 2001). Advocates of this view approach maintain that global trade can be dated back to the time of the great geographical discoveries of the 15th and 16th centuries, and the process of world integration was given an impetus by the industrial revolution. However, it is the period 1870–1914 which is considered as the first stage of the globalization of business activity. In fact, it is the only period which the majority of scientists can accept. Further discussion and remarks indicate entirely different perceptions of the phenomenon. However, they refer to the differences stemming from detailed analyses based on a different understanding of details.

A. Zorska presents globalization as: “a long-term process of the integration of national economies, sectors, markets and enterprises as a result of extension and intensification of transnational trading, institutional, cooperative and information links, which leads to the establishment of increasingly strong inter-relationships in the global economy” (Zorska 2001, pp. 215–218).

D. Levy believes that the term “globalization” refers to the growing integration of national economies through international trade and direct

foreign investments, as the capital becomes more and more mobile and technologies facilitate communication, state borders become increasingly pervious to business activity carried out on an international scale (Levy 1998).

Action at distance is the essence of the globalization process according to A. Giddens (Rosińska 2003; Giddens 2000). The view represented by the author boils down to seeing the globalization process as actions of particular entities in distant places, these entities, through their actions, exert an impact on other entities, particular events or individuals in a global space-time. The resulting effect is engaging external entities in behaviour determined by the strategic behaviour of a global organization.

Widely accepted and quoted is a general definition of globalization process formulated by A. McGraw, according to whom, globalization consists in a variety and mutual character of influences of states and societies which currently form the global system. Globalization is characterized by two dimensions: scope (extent) and intensity (depth). On the one hand, the process in question includes phenomena which occur in most of the world or activities carried out on a global scale. On the other hand, globalization also involves in the intensification of co-operation, mutual links and inter-relationships between states and societies, which constitute the global community. A gradual and simultaneous extension and deepening of different relationships and links in the global system is under way (McGrew 1992, p. 28; Zorska 2001, p. 15).

A variety of the views presented above allow, however, for identifying certain common features which characterize the phenomenon in question. It can, therefore, be assumed that commonly accepted features of globalization include:

- multi-dimensionality – globalization manifests itself simultaneously in many areas of life – economy, politics, military issues and culture and includes overlapping activities carried out at the same time, but in different spheres, in addition global processes take place in these spheres;
- integrating – i.e. merging of the economies on different levels by closely connecting operations of entities scattered around the world within the framework of co-operative, trading, investment and manufacturing links;
- international inter-relationships – there are many levels on which these inter-relationships are established. They can be described as possibilities of co-ordinating international systems, such as regional groups, co-operation networks and trans-regional agreements. It must be noted that these inter-relationships can be asymmetric and turn into the domination of a stronger

foreign partner or global system. International inter-relationships are often difficult to describe in quantitative terms. Measures which indicate their scope, intensity and impact are far from being perfect. The relatively easiest to quantify are economic inter-relationships, by referring, for instance, to the volume of commercial transactions, the flow of capital between given countries, etc (Anioł 1989, p. 42). Global inter-relationship produces an effect described by the U.S. Secretary of State in the Clinton administration, S. Talbot, in the following words: “what happens over there has significance here” (Kuźniar 2002; Talbot 1997).

- relationship with scientific, technological and organizational progress – the impact of progress on the process in question consists of creating new technologies, which, in turn, contribute to the development of communication through the Internet, mobile phone or satellite communication and transport, and, above all, to the creation of modern products, new manufacturing, management and organizational methods and the emergence of highly qualified human resources and modern technologies; at the same time technological progress becomes accelerated under continuing pressure for technical innovations from enterprises competing in global markets (Rosińska 2003);

- time and space compression – this feature is understood as the shrinking of the world due to the development of mass communications, large human mobility and the availability of products from all over the world;

- dialectic character of the phenomenon – perceived as the permanent clash of subprocesses and phenomena such as globalization-fragmentation, integration-disintegration, globalization-regionalization, homogenization-differentiation, global or local dimension.

Globalization has many aspects, being manifested in a variety of ways and including political, social and economic phenomena. It can, therefore, be assumed that globalization is the process of ever closer, actual merging of national economies, manifesting itself in dynamic trade growth, international capital and services flows, which is the result of a growing tendency to view the world as a potential market by an increasing number of enterprises (Budnikowski 2003, p.18). This process can usually be related to the so-called second industrial revolution, i.e. the acceleration of technological progress which leads to the fall of communication and transport costs and the liberalization of goods, services, capital and workforce flows on a global scale. Globalization is not an exclusively economic trend.

2. REASONS FOR GLOBALIZATION OF INTERNATIONAL RELATIONS (FACTORS DETERMINING GLOBALIZATION PROCESS)

The following three factors have been affecting the globalization process, which determines the global market and forces companies to change the way in which they function (Zorska 2001, pp. 21–39):

- scientific and technological progress,
- international competition,
- state economic policies.

Scientific and technological progress is manifested, above all, in introducing changes, improvements and radical innovations in the work organization of enterprises, in particular with respect to supply, production and distribution. It has contributed and is contributing to a greater flexibility e.g. the possibility of programming the work of machines and equipment which rely on new technologies, the decrease of the scale of production by shortening production series and increasing a product range, which allows for adapting to customers' needs and requirements. The introduction of modern solutions also contributes to a faster, better organized, more effective and co-ordinated flow of material goods and information, which, in turn, is, more and more frequently, sent and processed in a continuous, fast and reliable manner (telephone, telefax, fax, communications satellites, computer networks). Technology diffusion allows for levelling (enhancing) technological capacities in different countries, affects the development of information technology, telecommunications and transport. This leads to so-called technoglobalism (globalization of technology), i.e. the growing internationalization, creation, utilization and distribution of technology.

The development of international competition is affected, most of all, by technological progress as well as changes in demand and supply. A producer's market has turned into a consumer's market, as it is the consumer who determines the final shape of a product. Another result of international competition is that enterprises which want to attract customers in many countries have to adapt to changes by quick utilization of the latest technologies related to the gathering, flow and processing of information, and to adjust their production to revealed demand. Changes in demand concern uniformization and synchronization of the needs, requirements and preferences of buyers, who, in an increasing number of cases, exhibit similar tastes, irrespective of cultural or linguistic differences. In order to reach customers, enterprises need to accelerate their responses to market changes,

which means time and space compression. Time compression is reflected in applying flexible manufacturing processes, shortening of a product life cycle and conducting joint research, while space compression affects the flow of products and integration of entities located in different countries.

Another factor which determines globalization is state economic policy in its broadest sense as well as the economic processes which it sets in motion or modifies. A state economic policy is manifested, above all, in integration as well as creation and adoption by states of advantageous conditions of international co-operation and common principles of economic policy. Thanks to free trade, the development and liberalization of the flow of capital, factors of production, goods and services on a global scale, it is possible for companies competing in a global market to widen the scope of their investment and conduct a geographically dispersed (both on a global and regional scale), but functionally integrated business activity.

3. EFFECTS OF PROCESSES OF GLOBALIZATION OF INTERNATIONAL RELATIONS

In the late 1990s, in a book entitled "One World, Ready or Not" W. Greider compared the process of the globalization of societies and economy to a machine which is running at lightning speed and over which no one has control (Kuzmicz 2003). Globalization in itself is neither good nor bad. It is beyond doubt inevitable. It has its positive and negative effects, and it is the effects of globalization which are one of the most heatedly debated issues.

The relationship between globalization and economic development will be a major issue in the 21st century. What are the effects, opportunities and threats of globalization?

The positive effects include, among other things, acceleration of the world's civilizational development, exchange of information, which helps create civil societies, facilitation of migration, transferring production plants to countries where the development of entire societies relies on foreign investment, emergence of worldwide brands, which makes it easier for consumers to make a choice, increase of wealth, mutual learning and inspiration. More advocates of globalization can be found among practitioners: representatives of transnational corporations, global media, presidents of global financial and trade institutions – IMF, OECD, WTO rather than among scientists and analysts. As pointed out by Kuźniar, the former WTO president, R. Ruggiero, proposed a simple

regularity: globalization – growth, development and peaceful international relations based on co-operation. According to the supporters of this process, global society and global governance can already be seen on the horizon, however, an optimistic interpretation of globalization is, as a rule, an ideology advocated in highly developed and rich societies (Kuźniar 2002).

The negative effects of globalization are a mirror reflection of its positive effects. One of them is the marginalization of certain regions and areas, as capital mobility encourages speculation, which can cause financial crises of entire regions, as occurred during the Asian crisis of 1997. Foreign investment in developing countries can help them get out of poverty, but work in plants transferred from rich countries is often semi-slavery work. These are the objections raised by anti-globalists, who rarely reject the phenomenon itself of economies and societies getting closer. They point out, however, that benefits of this process are subject to a very uneven distribution in the worldwide economy.

The analysis of today's economic literature and observation of the global economy allow for identifying the following effects of the processes of the globalization of international relations:

- intensification of the movements of goods, services, capital, technology and information,
- increase and change of the role played by international corporations in a global economy,
- intensification of the integration processes in today's economy,
- institutionalization of international trade,
- redefinition of the significance of the role and function of a state,
- new areas and manifestations of competition,
- change of social attitudes towards globalization processes,
- emergence of a knowledge-based economy.

The effects of the globalization processes indicated above are not a complete list of all economic, social or political phenomena which undergo changes in international relations as a result of these processes. However, they represent these areas of the reality which surrounds us which are the most susceptible to globalization.

4. INTENSIFICATION OF THE MOVEMENTS OF GOODS, SERVICES, CAPITAL, TECHNOLOGY AND INFORMATION

Globalization is, as we observed above, a multi-dimensional phenomenon which includes economic phenomena, as well as their social and political consequences. In the relationship between globalization and international economic policy, of particular significance is its economic aspect, whose tangible manifestations are international economic movements of goods, services, capital, technology and the size of migration.

The majority of scientists are of the opinion that the main engine for globalization is the acceleration of technological progress. Of unprecedented importance in this respect has been progress in transport, telecommunications and information technology. Huge changes in technology provide the primary impulse for the faster dissemination of information on a global scale and for the acceleration of the pace at which new products and services are introduced, and, consequently, for the shortening of the life cycle of many of them. These phenomena have changed the nature and increased the fierceness of the competitive battle, in which the chief weapons are innovations and the enterprises' ability to respond in a flexible and quick way to changes around them (Bielawski 2000).

The technological breakthrough of this scale would not have been possible without the support of a liberal economic policy, including privatization and deregulation processes, which favour the international expansion of production on a global scale. It must be noted that for enterprises, the differences between trade and investment as alternative means of conquering global markets are becoming blurred. This has led to the emergence of a new type of complementarity which strengthens the interdependence between countries.

As was pointed out by J. Bielawski, the result of the liberalization of international trade is that, for the last 50 years, it has grown faster than production, which has increased the degree of countries' dependence on international trade. The average annual rise of the export of goods was 6% in the years 1948–1997, while production rose by 3.7% (Bielawski 2000). At the same time, it must be remembered that, for decades, the growth of services has been greater than trade and overall economic growth, as a result of which the service sector share in the global economy is on the increase and, according to analysts, this tendency will accelerate. Globalization processes have a different intensity in different service markets. Areas such

as transport or tourism have undergone a process of company mergers. The 21st century is also witnessing an acceleration of the process of consolidations and take-overs among the world's largest banks. Banks have also gone beyond their traditional sphere of activity and merged with other, mostly financial, institutions. Their organization and the nature of capital flow agency in financial markets are changing.

The intensification of capital movements is undoubtedly another feature and effect of the world economy globalization process. Particular attention should be paid to the wide liberalization of current and capital transactions and the development of international financial markets. According to the data presented by J. Bielawski, more than 140 countries, i.e. more than three fourths of all International Monetary Fund (IMF) members have signed article VIII of the IMF Statute, undertaking to ensure freedom of capital movement with respect to current account transactions (Bielawski 2000). Capital mobility has also increased as a result of the liberalization of regulations in particular national markets and the development of new trade links and new communications technologies, as well as the emergence of numerous financial products, which make national borders less impenetrable for capital movements.

5. STRENGTHENING AND CHANGE OF ROLE PLAYED BY TRANSNATIONAL CORPORATIONS IN A GLOBAL ECONOMY

As a result of the development and movement of modern technologies, as well as the development and extension of the free market in today's world economy, the last twenty years have seen a change in the roles and functions performed by transnational corporations. A particular type of feedback can be observed here. Globalization provides transnational corporations with new expansion and action opportunities, which, in turn, leads to the strengthening and deepening of the globalization processes. This is exactly why in numerous publications on the subject they are referred to as beneficiaries, winners or globalization stars.

At the beginning of the 21st century, there are approximately 60,000 transnational corporations in the whole world, which have a wide network of more than 820 subsidiaries. The value of their investment, in the form of direct foreign investment, is estimated at over one trillion dollars a year (*World Investment Report...* 2001; Liberska 2002, p. 39). Naturally, such a big group of entities is extremely diversified, which is why attention is

usually paid to the biggest of them. J. Symonides notes that the world's 200 most powerful companies have an overall annual income of 18 quintillion dollars, with assets valued at 65 quintillions and employing 63 million people. It is, therefore, not surprising that the list of the biggest 200 economic protagonists includes 160 corporations and only 40 countries (Symonides et al. 2004, p.141).

The impact of transnational corporations on the development of the globalization process can be analysed in the two dimensions of their global presence, which manifests itself in an indirect (the presence of goods and services of particular companies on foreign markets) and direct form (doing business as a result of direct investment made in those markets) (Jarczewska-Romaniuk 2003). Clearly, direct foreign investment is the most advanced form of the global presence of transnational companies and have far more serious consequences for all economic protagonists than their indirect presence.

Detailed analysis of lists of the biggest transnational corporations published every year by "Forbes" and "Fortune" magazines demonstrates that, while many of the leading transnational corporations do not exhibit a high degree of internationalization of their business, their activities have a significant impact on the development of the globalization processes. Goods and services of such companies as Sony, Microsoft, Citigroup and Philip Morris are present on almost all markets, as is information provided by the universally accessible Yahoo portal. The direct effect of such activities is the creation of global markets of goods and services and uniform behaviour patterns, which, as a result, leads to unification.

The presence of transnational corporations in foreign markets as a result of their direct investment not only increases the supply of goods and services in given markets, but, most of all, creates links, relationships and inter-relationships of a special nature between particular business entities and states. The concentration of the investment activities of transnational corporations in the most developed countries (almost 70% in 2001) leads to the tightening up of economic interrelationships, societies getting closer to one another and the deepening of political co-operation (Jarczewska-Romaniuk 2003).

It is also worth pointing out that the direct result of the use by transnational corporations of the effects of globalization is the increase in their potential and significance on the international scene. Thanks to their power these corporations exert an influence on states' economies and politics. They determine the global capital and financial market, affect the

stability or weakness of national currencies and trade balance of particular countries, as well as changes in the production, consumption or ways of utilization of natural resources. They have an immense impact on technological progress and the situation in national or branch labour markets (Liberska 2002, p. 58). Such multi-dimensional impact of corporations on states may hamper or encourage development processes and provide opportunities, in particular for developing countries.

6. INTENSIFICATION OF INTEGRATION PROCESSES IN CONTEMPORARY ECONOMY

Another important aspect of today's globalization of economic activity is regional integration. While the globalization process leads to the integration of economic activity on a global scale, an equally fast process of regional integration leads to a specific division of the global economy into many different economic and political blocks, which differ in their extent, forms, possibilities of pursuing consistent economic policies, degree of the freedom of movement and, finally, level of active market and the effectiveness of its mechanisms. Regional integration assumes the form of a more or less close and institutionalized associations and is characterized by mutual overlapping of economic, technical and financial co-operation etc.

Despite a number of different features which characterize regional integration and globalization, they are similar to a certain degree:

- both phenomena are a manifestation of the internationalization of business activity,
- they are both underlined by mechanisms referred to in economic theory as "economies of scale",
- the dominating role in both processes is played by: acceleration of technological and scientific progress, IT revolution and a rapid increase in work productivity (Gabryś 2000),
- both integration and globalization are the results of the liberalization of the economies of the countries which participate in these processes.

In the 1990s integration process underwent fundamental changes when globalization process gathered its pace and changed the nature of globalization. These changes occurred on two levels: the liberalization of the movement of goods within a group was replaced by the liberalization of the movement of factors of production, but, at the same time, international integration began to give way to transnational solutions. The criteria for

assessing benefits it offered for members of a group also changed; the principle of comparative advantage gave way to the principle of absolute advantage. This is reflected in full economic integration, which is considered the highest institutional form of integration (Bożyk, Misala 2003, pp.239–243).

In today's globalized environment, regional groups, apart from liberalizing the movement of goods, services and factors of production, have also gradually opened up their economies to countries from outside a group. One of the effects of such opening up of integration groups is an increase in their membership.

This means that integration groups may play a double role; to regulate the impact of globalization processes on their members, e.g. by protecting smaller and economically weaker countries from the dangers of globalization, and, at the same time, shape globalization processes (Grosse 2001). Such effects are already partly reflected in integration-related practices of some groups, in particular the European Union.

7. INSTITUTIONALIZATION OF INTERNATIONAL TRADE

Classical economic theories proved that states which engage in free trade gain from it. The concept of benefits resulting from free trade was first formulated by Adam Smith in his *The Wealth of Nations*. It was, however, David Ricardo who extended that concept and developed a model demonstrating that all countries engaging in free trade gain from it via production specialization.

Furthermore, a view is held that an increase in the volume of international trade has a positive effect on the states' economic growth, and accelerates the growth of their national income. However, economic theories do not state clearly that free trade accelerates economic growth. Depending on the way in which trade is liberalized, free trade may have a positive, neutral or even negative effect on a country's economic development. This means that free trade can, but need not, lead to an increase of economic growth. J. Bhagwati proves that, in view of the above, "we should choose ways of liberalizing trade which produce beneficial development results" (Bhagwati 2002, p.43). At the same time, Bhagwati points out that despite the fact that economic theories do not provide a clear positive correlation between free trade and economic growth, experiences of most countries demonstrate that trade liberalization does lead to greater economic growth.

In view of the universal character of the above-mentioned experiences, it was decided that an international trade system should be established which would provide a favourable environment for the development of free trade. The principal objective of this system was to develop rules which would increase stability, predictability and openness of international trade, as well as ensure their observance.

Being an international organization, WTO supervises multilateral agreements concerning trade in goods, which were concluded in the GATT forum in 1994 and a variety of agreements concerning particular issues such as: preventing dumping, subsidies, import licensing, trade in services (GATS), as well as trade-related aspects of intellectual property rights (TRIPs). Regulations applicable within WTO (in contrast to GATT) must be observed by all its members. This shows that, for developing countries, it is far more important than GATT (Hoekman et al. 2002, pp. 47–51).

WTO's most important activities include initiating multilateral trade negotiations and the resolution of trade disputes. Multilateral negotiations are regarded as a forum for the presentation and settlement of positions and making decisions by means of reaching a consensus. If countries succeed in reaching an agreement, then negotiation rounds result in trade liberalizing agreements, which form the legal basis for the existing international trade system (Aleksy 2004).

A system was also developed which impels states to observe the provisions of the agreements, i.e. a dispute resolution mechanism. States may apply for the resolution of a dispute within the WTO framework, if they believe that their rights provided for by an agreement are violated. In 1995 a principle was adopted that all members must voice their objection to the resolution of a particular dispute in order to block the acceptance of the report. As a result of this principle, the number of disputes resolved within the WTO framework has risen, as the dispute resolution mechanism has become more automatic.

Although the existing trade system has contributed to a huge rise of trade volume and provided the legal basis for international trade, it is the object of fierce criticism, coming mainly from developing countries, which is centred around such issues as: restricted access to markets in developed countries, high costs of implementing certain WTO agreements, and restricted participation of developing countries in the decision-making process on the WTO forum. These countries maintain, as do globalization opponents, that the regulations adopted within WTO, do not answer their development needs.

8. REDEFINITION OF SIGNIFICANCE OF ROLES AND FUNCTIONS PERFORMED BY STATES

The effects of globalization are wide-ranging and varied, both for the framework (elements, features) of international order and for the basic participants of international relations – countries as well as societies and nations which form them.

A transformation of the concept of sovereignty can be observed in all basic areas of the functioning of a state: politics, security, economy, information, public opinion (shaping of social awareness) and human rights. The state (or society – in democratic countries) loses control over its potential, over the instruments of its international, social and defence policies etc. The state's autonomy, in its internal and external aspects, is being restricted, and the legal definition of its sovereignty becomes irrelevant. Uniformization of the economic policies and activities of particular states is gathering pace (Szymański 2001, p.53).

The above-mentioned phenomena are the result of the liberalization of capital turnover and circulation, growing and changing position of transnational corporations in global economy, and the electronic and IT revolutions.

States implement and defend their rights which result from the principle of sovereignty to a lesser degree within their own territories and through autonomous decisions made by the supreme state organs. Such decisions mean, to an increasing degree, only adaptation to external tendencies, regulations, expectations or pressures. The rights and interests of states resulting from their sovereignty need to be enforced, to an increasing extent, by their presence in numerous international organizations and participation in their decision-making process.

“Globalization implies considerable limitation of the freedom of state authorities to make economic decisions, which has its advantages and disadvantages. An advantage is restricting the possibility of doing harm to the market by politicians. On the other hand, the interests of investors and states are naturally asymmetric. For example, most entrepreneurs are reluctant to locate their R&D centres outside their domestic market. For countries which accept such investments, it may mean that they are going to remain a source of materials and human resources for richer countries”, says A. Pawłowicz, President of the Polish Foreign Investment Agency.

Obviously, globalization enforces a change of perspective within the existing paradigms of international relations. It must, however, be

remembered that globalization does not mean a new international order, nor does it abolish the existing one. The most important structures, participants and rules of international co-existence have by no means undergone quality changes as a result of the globalization processes. Globalization does not abolish the principle of sovereignty, changing, however, conditions in which it is implemented. It does not diminish the significance of states as the basic participants of international relations, although it introduces its new and increasingly powerful protagonists. It does not make governments less necessary (although it makes it more difficult for them to pursue their policies), but forces them to seek, in a creative way, new instruments which should ensure the effectiveness on the international forum. What conclusions and directives can be drawn from that for economic policies? Without neglecting traditional and still necessary economic policy measures and methods, several additional conclusions must be drawn.

First – the range of internal and external affairs of the state is subject to multilateral regulations, that is regulations which are agreed upon, accepted and enforced by institutions, regimes, mechanisms and multilateral procedures is rapidly increasing.

Second – it is necessary to have nongovernmental organizations become involved in international politics. Nongovernmental organizations and activities may favour and facilitate or complicate and render difficult the attainment of economic policy objectives. It must be realized that the interests of nongovernmental organizations can be in line with or contrary to the interests and economic policy of a government.

A result of the continuing globalization process appears to be the new role of the state. In order to seize an opportunity offered by this process, a proper economic policy is necessary, consisting mostly in improving the state finances, bringing down inflation and unemployment, liberalization of international trade and foreign investment, raising innovativeness and competitiveness of domestic companies. The last issue becomes particularly significant these days, as competitiveness means a permanent ability to compete, co-operate and benefit from an open free-market economy.

9. NEW AREAS AND MANIFESTATIONS OF COMPETITION

An undisputed feature of globalization, as pointed out above, is the liberalization of capital movements, and increasing freedom to produce anything almost anywhere. As a result of this situation, particular countries

are provided with possibilities of competition for attracting new direct foreign investments and being used as a venue for production facilities. At the same time, this battle to attract new investors is turning into competition with respect to creating new jobs. It can therefore be claimed that globalization gives rise to new strong differentiating factors as well as new areas and levels on which particular countries compete. We can therefore, as observed by Szymański, indicate levels of competition between particular countries (Szymański 2001, pp.48–50).

- The first and highest level is competition for future advantages. This must consist of mobilizing intellectual capital to create new products and technologies and preparation of the ability to use them in practice.

- The second competition level is the ability to create transnational corporations, which are able to find an optimum way of combining and utilizing factors of production in a global scale and, subsequently, of generating profits from selling goods on world markets. This factor determines whether a given country is capable of capturing an economic surplus generated by transnational corporations.

- Competition by achieving progress with respect to the quality of the factors of production offered to a global economy, is the third competition level. Progress can be achieved by a quality change with respect to the functions performed by a given country in a global economy, and so by a change in the position in the international division of labour.

- Competition with respect to the localization of capital and production in a given country, region or city/town is the fourth competition level. Rivalry on this level consists of creating favourable tax regulations, an investor-friendly economic and administrative environment and promoting friendly social attitudes towards foreign investors. All such activities increase a country's ability to obtain orders and attract the capital of transnational corporations (Szymański 2001, pp. 51–53).

Countries which do not create a basic infrastructure, policy and safe environment remain outside the competition levels indicated above.

10. CHANGE OF SOCIAL ATTITUDES TOWARDS GLOBALIZATION PROCESSES

Negative globalization effects such as poverty growth, unemployment or social disintegration concern the majority of the world's population.

Therefore, on analysing the social consequences of globalization processes one comes across a number of accusations against them. They include:

- distorted development of most societies,
- destabilization of the world by growing tensions stemming from growing poverty,
- transformation of millions of people into cheap labour force (Krzysztofek 2000).

“In the latest UN Report on social development, experts warn that in today’s world globalization means mainly economic community and its human aspect is gradually disappearing [...]. The world is heading towards a tighter integration and, at the same time, it splits more and more clearly into the rich and the poor, the educated and the illiterate, the “global” ones and the “provincial” ones. Globalization, which was to get people closer together [...] inadvertently created a wall which is tighter and more durable than the Berlin Wall. Its associated processes aggravated all injustices present in social life” (Kubicka 2000). The negative consequences of globalization are numerous and, additionally, they tend to cumulate in the form of growing inequalities.

A new phenomenon appeared – poverty among the rich and richness among the poor. Globalization widens disproportions in people’s living standards between countries, globally, along the traditional division axis – between the North and the South. The disproportions in the living standard stemming from globalization go even further. In the North, there appeared new forms of impoverishment in rich countries. It is estimated that there are over 8 million homeless people in the US alone. And in the South, conversely, extremely rich groups appear, frequently more integrated with the zones in the North than with the rest of their own country (Góralczyk 1999).

Economic globalization is a macroreason for marginalization of large geographical areas and social groups. It also imperceptibly influences small social groups as well as individuals. In literature one may often come across an opinion that globalization and marginalization are twin phenomena.

11. CREATION OF KNOWLEDGE-BASED ECONOMY

The creation of a knowledge-based economy marks a new stage in the development of economy and society, a stage often referred to as “post-modern society” or “information society”. The latter name was popularized

by the former US Vice President A. Gore, who put forward an initiative to build a global information infrastructure (the so-called information highways) and by EU Commissioner M. Bangemann, who proposed a construction of an information society in Europe.

The term “knowledge-based economy” first appeared in the documents of the OECD Secretariat and the NESTI Group devoted to a new generation of scientific and technical indicators which would be used to measure various aspects of contemporary economic development. It comprises an economy in which knowledge in all its forms plays a key role in stimulating economic and social advancement. Knowledge, in turn, is defined as the total of information and experience which allow one to adjust to the environment and to develop. This definition makes a clear reference to the famous statement by F. Bacon: “Scientia est potentia” (Dworak 2003, p. 595).

On December 11, 1993, the European Council adopted a document entitled *Growth, Competitiveness, Employment. The Challenges and the Way Forward into the 21st Century. White Paper*. This document, for the first time in the history of the Communities, presented a concept of construction of a common information society and stressed an urgent need for a Pan-European information structure which would contribute to a rise in the competitiveness of European economies as well as a growth in new markets and jobs (Woicka 2000).

The idea for the transformation of Western Europe into an area of dynamic knowledge-based economy was strongly supported by the resolutions of the European Council adopted at the Lisbon Summit in March 2000. During this summit a first report assessing the advancement in the implementation of the “e-Europe” project was made and important decisions concerning new initiatives related to the knowledge-based economy in the EU member states were prepared. The main objective of the Lisbon strategy is to transform European Union, by 2010, into the world’s most competitive knowledge-based economy characterized by a higher social cohesion and creation of more jobs. To achieve these objectives the following action segments have been designed:

- swift shift to a knowledge-based economy, including the development of an information society, research and innovation as well as formation of adequate qualifications and skills (by, without limitation, the timely adoption by the European Parliament of legislation concerning e-commerce, copyright, e-money, remote sales of financial services, increased competition in offering access to the Internet, lowered costs of Internet access);

- liberalization and integration of telecommunications, power sector, transport, postal and financial services;
- development of enterprise, i.e. deregulation and better administrative support (radical reduction of the number of legal regulations pertaining to companies, especially the SME sector) and limitation of competitiveness-restricting public aid;
- employment growth and change of a social model, i.e. growth of professional activeness, flexible labour market, improved education, modernized social security system, reduction of poverty and social exclusion;
- care for sustainable development foundations and environment protection.

The activities listed above provide strong foundations for the EU's aspiration towards a better utilization of the existing potential – work, knowledge, capital, and scale of operations by deregulation and free market mechanisms as well as by active construction of competitive advantages in the global economy.

The economic slump witnessed between 2001–2003 in connection with political divisions within the Union stemming from the war in Iraq have led to delaying the implementation of the Lisbon strategy. Its assumptions, however, still remain the best answer to the challenges of the global economy.

CONCLUSION

Globalization is a multi-aspect phenomenon observable in a number of ways and embracing numerous political, social and economic aspects. Bearing this in mind, the authors tried to demonstrate that globalization changes the conditions of contemporary international trade. This is mainly a result of the dynamic scientific and technical advancement witnessed over the last two decades, the level and scale of competitiveness in the world economy, where the key players are transnational corporations, as well as the liberalization of economic policies implemented by particular countries. The phenomena indicated above trigger a series of economic consequences in the international environment and the directions where these changes go cannot be ultimately predicted. In contemporary communities, globalization has both its ardent advocates but also fanatical opponents.

There is, though, one issue to which everybody agrees, i.e. that the process of globalization of international relations is a fact, and that the task ahead for modern societies is to attempt to embrace it and manage its process so that it will prove beneficial for future generations.

REFERENCES

- Aleksy A., *Funkcjonalność i dysfunkcjonalność współczesnego systemu handlowego względem potrzeb rozwojowych państw [Functionality and Dysfunctionality of the Contemporary Trade System and the Development Needs of States]*, in: *Globalizacja a stosunki międzynarodowe [Globalization and International Relations]*, Halizak E., Kuźniar R., Symonides J., eds., Oficyna Wydawnicza Branta, Bydgoszcz-Warszawa 2004.
- Anioł W., *Geneza i rozwój procesu globalizacji [Genesis and Development of the Globalization Process]*, Centralny Ośrodek Metodyczny Studiów Nauk Politycznych, Warszawa, 1989.
- Bielawski J., *Globalizacja a wielostronna współpraca gospodarcza [Globalization and Multilateral Economic Co-operation]*, „Sprawy Międzynarodowe” no 1/2000.
- Bhagwati J., *Free Trade Today*, Princeton University Press, Princeton and Oxford, 2002.
- Bożyk P., Misala J., *Integracja ekonomiczna [Economic Integration]*, Polskie Wydawnictwo Ekonomiczne, Warszawa, 2003.
- Budnikowski A., *Międzynarodowe stosunki gospodarcze [International Economic Relations]*, Polskie Wydawnictwo Ekonomiczne, Warszawa, 2003.
- Dworak E., *Koncepcja gospodarki opartej na wiedzy w Unii Europejskiej – wnioski dla Polski [Concept of the Knowledge-Based Economy in the European Union – Conclusions for Poland]*, in: *Procesy integracyjne w gospodarce światowej. Polska w Unii Europejskiej [Integration Processes in the World Economy. Poland in the European Union]*. Vol. II, Bilski J., Midera A., eds., Wydawnictwo Uniwersytetu Łódzkiego, Łódź, 2003.
- Gabryś L., *Proces internacjonalizacji gospodarczej a funkcje współczesnego państwa [Economic Internationalization Processes and Functions of the Contemporary State]*, in: *Procesy internacjonalizacji we współczesnej gospodarce światowej [Internationalization Processes in the Contemporary World Economy]*, Sporek T., ed., Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice, 2000.
- Giddens A., *Antony Giddens on Globalization*, UNRISD News, no 15, 2000.
- Góralczyk B., *Gdzie jest „Trzeci Świat”?* [Where is the „Third World”?], „Nowe Życie Gospodarcze” 1999, no 38.
- Grupa Lizbońska *Granice konkurencji [Competition Boundaries]*, Warszawa 1996.
- Grosse T. G., *Globalizacja w stylu amerykańskim [Globalization the American Way]*, „Ekonomia” no 3/2001.
- Hoekman B., Kostecki M. M., *Ekonomia światowego systemu handlu. WTO: zasady i mechanizmy negocjacji [The Political Economy of the World Trading System. The WTO*

- and Beyond*], Wydawnictwo Akademii Ekonomicznej im. O. Langego we Wrocławiu, Wrocław, 2002.
- Jarczewska-Romaniuk A., *Korporacje w procesie globalizacji [Corporations in the Globalization Process]*, "Sprawy Międzynarodowe" no 1/2003.
- Krzysztofek K., *Janusowe oblicze globalizacji [Janus-like Face of Globalization]*, „Rzeczpospolita”, no 137, 2000.
- Kubicka J., *Spoleczne skutki procesów globalizacji [Social Effects of Globalization Processes]*, in: *Procesy internacjonalizacji we współczesnej gospodarce światowej [Internationalization Processes in the Contemporary World Economy]*, Sporek T., ed., Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice, 2000.
- Kuźmich K., *Globalizacja z ludzką twarzą [Globalization with a Human Face]*, www.gazeta.pl.
- Kuźniar R., *Globalizacja i polityka zagraniczna [Globalization and Foreign Policy]*, in: *Oblicza procesów globalizacji [Faces of Globalization Processes]*, Pietraś M., ed., Wydawnictwo Uniwersytetu Marii Curie-Skłodowskiej, Lublin 2002.
- McGrew A., *Conceptualizing Global Politics*, in: *Global Politics*, McGrew A., ed., Policy Press, Cambridge, 1992.
- Levy D., *International Productions and Sourcing: Trends and Issues.*, STI Review No. 13, 1998.
- Liberska B., *Globalizacja. Mechanizmy i wyzwania [Globalization. Mechanisms and Challenges]*. Polskie Wydawnictwa Ekonomiczne, Warszawa 2001.
- Oziewicz E., *Globalizacja gospodarki światowej – wybór czy przeznaczenie [Globalization of World Economy – Choice or Destiny]*, in: *Internacjonalizacja i globalizacja gospodarki polskiej [Internationalization of the Polish Economy]*, Rymarczyk J., Szelaż T. eds., Prace Naukowe AE nr 893 [Works and Papers of WUE no 893], Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław, 2001.
- Rosińska M., *Wpływ procesu globalizacji na główne ośrodki międzynarodowych stosunków ekonomicznych [Impact of the Globalization Process on the Main Centers of International Economic Relations]*, in: *Regionalizacja i globalizacja w gospodarce światowej [Regionalization and Globalization in the World Economy]*, Rymarczyk J., ed., Prace Naukowe AE nr 976 [Works and Papers of WUE no 976], Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław 2003, vol. 2.
- Symonides J., *Wpływ globalizacji na miejsce i rolę państwa w stosunkach międzynarodowych [Impact of Globalization on the Place and Role of the State in International Relations]*, in: *Globalizacja a stosunki międzynarodowe [Globalization and International Relations]*, Haliżak E., Kuźniar R., Symonides J., eds., Oficyna Wydawnicza Branta, Bydgoszcz-Warszawa 2004.
- Szymański W., *Globalizacja – wyzwania i zagrożenia [Globalization – Challenges and Threats]*, Difin, Warszawa 2001.
- Talbot S., *Globalization and Diplomacy: A Practitioner's perspective*, „Foreign Policy”, autumn 1997.
- Woicka I. L., *Unia Europejska wobec społeczeństwa informacyjnego [European Union and the Information Society]*, „Wspólnoty Europejskie”, no 1, 2000.

- World Investment Report 2000. Promoting Linkages*, UNCTAD, New York, Geneva, 2001.
- Zorska A., *Zmiany w procesie globalizacji a uczestnictwo krajów Europy Środkowej [Changes in the Globalization Process and the Participation of the Central and Eastern European Countries]*, in: *Globalna gospodarka- lokalne społeczeństwo. Świat na progu XXI wieku. [Global Economy – Local Society. World at the Threshold of the 21st Century]*, Osiński J., ed., SGH, Warszawa, 2001.

Received: March 2004; revised version: November 2004