

THREATS AND OPPORTUNITIES OF GLOBALIZATION

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Abstract

In the modern world and space, the process of globalization in all directions has reached undefined dimensions. Globalization in modern conditions has gone beyond the boundaries of economy, politics, culture, public groups and has covered all areas and directions of human activity and work. The rapid development trend of globalization has created opportunities as well as threats that can lead to the loss of sense of space and time, and as expert circles suggest, these processes are the basis and will lead to the creation of a new planet and a new system.

The sustainable economic development and growth of globalization, with continuous technological progress, is directly related to the commercial industrial revolution of global importance. Contemporary challenges and the analysis of the opportunities and threats of globalization in general reveal that one of the important roles for strengthening the theories of globalization is assigned to technologies and markets. At the same time, attention is paid to analyzing the economic processes, main challenges and threats in Georgia against the background of globalization.

In recent years, in the development of the world economy, it is worth mentioning the modernization and internationalization of the financial market capital, which gave a special role and importance to the sharp growth of investment resources. It plays an important role in international economic integration in Georgia and also in developing countries. On the other hand, the current processes in the world economy indicate the existence of four main stages: existence-establishment of free trade zones, creation of customs relations, formation-development of economic relations and formation of a single economic space.

At the beginning of the 21st century, during the deepening of global processes, the issue of developing a common index of globalization was on the agenda. The criteria included in it are mainly based on the annual reports of the World Bank, the International Monetary Fund, and the United Nations. In recent years, the mentioned research covered 207 countries. The index indicator is divided into 3 main categories, which are based on different evaluation criteria

The essence of globalization refers to the combination of political, social, economic and cultural processes taking place in the world. In the paper, I will discuss the essence of globalization, its opportunities and threats, what impact globalization processes can have on economic development. I will also talk about the current topic of recent times, the role of international markets, the spread of COVID19 and its consequences. I will discuss the importance of international markets, the connection between the pandemic and the systemic processes of globalization. In the discussion and results, I will focus on the opportunities and threats of globalization, as a fair globalization, which, in turn, helps to reduce the causes of the threats of globalization and thus promote economic development.

Keywords: globalization, internationalization, liberalization, universalization, westernization, deterritorialization, impact of COVID19, economic growth and challenges, global politics, international market and trade, foreign investment.

Introduction

Globalization refers to the combination of political, social, economic and cultural processes in the world. The term „globalization” itself is quite new. It is associated with the name of T. Levitt, an American scientist who used this term in an article in 1983 to describe the event of merging of separate markets. However, this does not mean that the processes of globalization did not take place before, these processes started much earlier (the process of Greek colonization, when the Greeks spread their culture to other countries), just not in this name. A single definition of globalization has not been developed. Scientists have different attitudes and visions regarding globalization processes. Therefore, it is not surprising that their definitions differ from each other. („The Essence of Globalization” <https://globalizationdotcom.wordpress.com/2018/01/10/first-blog-post/>)

Nowadays, we often hear the term globalization in various mass media. It can be said that it is one of the most fashionable terms of the twenty-first century. To which the famous sociologist Martin Elbrow gives the following definition: „Globalization is a set of processes through which the peoples of the world are united in one world society, a global society.” („The Essence of Globalization” <https://globalizationdotcom.wordpress.com/2018/01/10/first-blog-post/>)

And according to the famous English sociologist Anthony Giddens, globalization can be defined as „the intensification of global social relations that binds distant places to each other in such a way that local events are shaped by events thousands of miles away and vice versa.” („Essence of Globalization” <https://globalizationdotcom.wordpress.com/2018/01/10/first-blog-post/>)

In 1983, the American scientist T. Levitt used this term for the first time in his work and explained it as a phenomenon of merging of separate markets. It is worth noting the fact that the term „globalization” did not exist before it was used in Levitt's work. This concept quickly gained scale and acquired the following definition over time: „Globalization means the formation of a single world society and the abolition of national-state borders and restrictions.” („The essence of globalization” <https://globalizationdotcom.wordpress.com/2018/01/10/first-blog-post/>)

Kenichi Omaye describes the global world as „a world without borders”. The global world is really becoming one big state, where borders are ignored and events far away affect us too.

Globalization was initially an economic term, but gradually acquired a wider meaning and united such areas as politics, culture, and the social side. It has become a synonym of union, fusion and opposed to such a word as fragmentation. They often pose threats in the name of globalization, which in many cases are world achievements.

At the beginning of the 21st century, there was a prevailing opinion that the nature of international economic relations was fundamentally related to the 2nd half of the 20th century, and no changes were assumed, however, from the beginning of the 21st century to the present day, the global space and requirements have changed with astronomical speed, as well as technological progress and the expansion of global minds, and their existence is vitally important. became In the latter, there was a strong will that the main starting point of economic development should be the free market, which would be independent of state interventions. Nevertheless, this belief could not withstand the two world wars and economic crises of the 20th century. As a result, the failure of

economic internationalism became even clearer. It was from this period that the foundation was laid for the reorganization of the economy, the starting point of which was the regulating state. (G. Sanikidze, 2001:148)

First of all, the main economic relations were the relations between states, and if a particular state achieved a certain hegemony during this period, it was a continuation of the existing political order: it was necessary that the new distribution of power should create guarantees of general balance (Sanikidze G. 2001:148). Many researchers emphasized that this kind of „macroeconomic capitalism” represented the firstborn of its predecessor „macroeconomic capitalism”. (Sanikidze G. 2001:148)

In the development of the global economy over the past 23 years, the internationalization of financial capital is worth mentioning, which was particularly manifested in the sharp increase in investment flows. International economic integration plays an important role. Economic integration helps to increase the efficiency of resource allocation, affects the structure of production and consumption, provides economy due to the increase in the scale of production of individual firms.

Today, globalization is the main feature of the modern world, which „determines the content of world politics.” (R. Asatiani 2010:18).

At the beginning of the 21st century, during the deepening of global processes, the issue of developing a common index of globalization was on the agenda. It is for this purpose that the „KOF” index of globalization was created, which, starting from 2002, is published every year. The criteria included in it are mainly based on the annual reports of the World Bank, the International Monetary Fund, and the United Nations. In recent years, the mentioned research covered 207 countries. The index indicator is divided into 3 main categories, which are based on different evaluation criteria:

Economic globalization - in which transnational corporations play an important role, is determined by such important indicators as the level of involvement in international trade, the level of foreign direct investment inflow, the degree of strictness of customs policy, import barriers and the movement of foreign capital;

Social globalization - various indicators of contact with foreigners are considered as criteria (eg, number of tourists, international phone calls, share of foreign citizens in the population, number of Internet users, etc.);

Political globalization - the criteria determining the level are: the number of embassies in the country, membership of international organizations, participation in missions carried out under the auspices of the UN Security Council, and international agreements. (G. Kharshiladze „Economy - XXI century”)

We will focus here on globalization, its threats and opportunities. For countries with a small territory and population, such as Georgia, integration with global, international markets plays an important role in the economic development of the country. This gives the possibility that the borders of the economy of the country do not coincide with the physical borders of the country.

The ranking of countries' globalization is published by the Swiss organization „Federal Institute of Technology”. The level of economic globalization is determined by international trade, foreign capital movement and migration. More globalization means more development potential. In 2020, Georgia was on the 23rd place, and in 2020 it moved to the 22nd place (among 202 countries), and the score improved by 0.45. Georgia has the lowest points in the criteria related to foreign investments. (<https://forbes.ge/saqarthvelo-2021-tslis-reitingebshi/>)

Despite these successes, there are several challenges that need to be addressed. It is considered that international trade allows the country to use the so-called Comparative advantage, i.e. to import from other countries the goods and services that the country cannot produce, and on the contrary, to export to other countries those goods and services that are relatively cheaper to produce. Ultimately, a country gains from both exports and imports. All this increases the savings of the population, which is a necessary prerequisite for investment and economic development.

J. Bayliss and **S. Smith** distinguish five different contents of globalization, although it should be said here that globalization can exist without any of them. these are:

Internationalization – there is a strengthening and activation of existing connections between states, and the role of borders is increasingly reduced;

Liberalization - it is manifested in the free movement of the population and open integrated economy, as well as in the weakening of the role of the national state;

Universalization – spread of material and spiritual values in the world;

Westernization – this means strengthening the role of Western civilization, spreading their values and culture.

Deterritorialization – reducing the role of state borders. Geographical location, distance, borders are less and less important.(Globalization - <http://www.nplg.gov.ge/gwdict/index.php?a=term&d=5&t=3300>)

Today's world and the challenges of COVID 19

The modern world has faced certain problems and threats caused by the global spread of the new virus, COVID 19. The virus began to spread in China at the end of 2019, in the city of Wuhan, and soon became a global pandemic. Due to the fact that the world met this virus quite unprepared, the consequences turned out to be more difficult and undesirable than initially expected.

In addition to endangering people's health and in this regard, Mosflio suffered a significant loss, problems arose in the economy of this or that country. There are sectors that have been hit the hardest by the pandemic: tourism, retail trade, manufacturing industry, financial sector.

I mentioned at the beginning that globalization has negative consequences (along with positive consequences), including the spread of trade crises from one country to other countries. It is interesting, can we present the specific negative consequences caused by the pandemic as a clear example of the latter? I think yes. Let's go back to the processing industry sector, which we have already mentioned in this section. (Lika Sarajishvili „Globalization and economic development trends”

https://geoeconomics.ge/?p=13185&fbclid=IwAR0k4fDDBJFdI5fqHfIH0ArrNX8MKDkL8ObcmsUI_0Yqqc1yRY5QDPNn8Xo)

What effect does globalization have on the economy?

Globalization has a significant impact on the development of the economy by international factors. Considering the country's foreign economic parameters, indicators, relations and the country's involvement in international trade, we come to the conclusion that as a result of trade, the country has more opportunities and greater choices. As a result of the mentioned processes, each country is given the opportunity to use not only the resources available within the country, but also the resources of other countries.

A free market is a guarantee of high competition and free trade. Competition helps market indicators to perform effectively, this means that the market is saturated in the use of free determinants - to bring the market to the point of balance between demand and supply. Also, as a

result of competition, service users and suppliers are provided with the best alternatives at the prices they want, at this time, the foundation is laid for the introduction of new innovations and technologies, and this has a positive impact on the health of the economy, as well as its development and potential growth.

However, despite the above, this also has a negative side, and opponents of economic globalization point to it. The fact is that often as a result of international trade, local producers are „oppressed” and are unable to compete with producers of other countries. However, this should not be understood as a negative side and a confirmation that globalization is a negative phenomenon, but should be perceived as an incentive, motivation for countries to be able to implement the right policies, restrictive or supportive measures at the right time and in the right circumstances and to get the maximum benefit from globalization processes.

Opportunities for globalization

1. **New resources** - the need to create new opportunities and new services and products
2. **Raising awareness** - revitalizing countries, cultures and public groups and engaging in an international economic, political, cultural marathon.
3. **New markets** - entering new markets can lead to an increase in the number of customers, and therefore an increase in sales revenue.
4. **Cheap labor (labor resources)** - hiring cheap labor in less developed and developing countries, which will allow the company to reduce the cost of production, therefore, it will get a high profit.
5. **More choice** - Globalization leads to increased competition for both local businesses and international businesses.
6. **Economy of resources** - purchasing labor force and materials in international markets will help the company to become more economical with its resources and get more benefits.
7. **Productivity of resources** - globalization leads to increased competition and therefore it can be effective and fruitful for the company.
8. **Higher efficiency** - Due to strong international competition, businesses will have to start operating more efficiently.
9. **Lower prices** - thanks to the operation of a larger scale, the company can achieve cost reduction due to economies of scale. Greater price competitiveness may allow businesses to lower the prices of goods and services, thereby encouraging sales.
10. **Nationalization of cultures** - globalization leads to fusion of cultures, transitions of cultures in different social groups, etc. Sh.
11. **Increased investment** - Increased investment by foreign businesses in the home country will accelerate economic growth. Consequently, the result will be a reduction in unemployment of citizens and a better standard of living.

However, the increasing integration and interdependence of the world's economies into one global economy creates problems for business in the host country.

The dangers of globalization

1. **High unemployment** - When local companies decide to move their operations to another country where labor is much cheaper, local employees will start losing their jobs in their home country.
2. **Increased competition** - Local businesses at home may find it difficult as powerful foreign companies begin to sell products cheaper to enter the market and gain market share.

3. **Change of ecological climates** - more demands and supplies will change climatic conditions, humidification, ecological cleanliness, acclimatization, etc. Sh.

4. **Destruction of local cultures** - Globalization forces consumers to conform to a standard culture where standardized products and services are offered.

5. **Exhaustion of resources** - Globalization and rapid turnover of resources can exhaust the potential of newly developed countries and create a crisis.

6. **High costs** - Marketing, distribution and legal costs for international business will increase.

7. **Fluctuations in exchange rates** - Fluctuations in exchange rates can cause changes in the price of raw materials, which will reduce gross profit if supplies are purchased at unfavorable times.

8. **Dependence on other markets** - Resource depletion and new economies can create dependence on the production of another country or market.

9. **Economic and financial risks** - inflation, refinancing rate fluctuations, outflow of credit services to foreign countries and new risks to local economies.

10. **Brain drain** - the outflow and employment of highly qualified personnel in large foreign companies, which will lead to a decrease in the level of development of local companies.

Conclusion

Globalization presents opportunities for business growth and evolution, as well as threats to their operations. Despite the limitations, entering international markets is an important goal for some businesses. Because this will allow the business to develop in a geometrical progression. Globalization processes contribute to raising the real standard of living of people, increasing production capacity, variety of manufactured goods and services, as well as innovations and technological achievements, which also have a positive effect on the country's economy and its development. However, although the overall effect of globalization is positive, countries benefit from this effect in different ways and the degree of benefit is different for them. Considering all this, we still believe that as a result of globalization processes, countries' economies develop more than without these processes. It is simply necessary to promote fair globalization, to make the right decisions on the part of the leading states, to take into account the interests of each state, and to be careful when conducting this or that event. As a result, we will get a high standard of living, developed economies, an increase in general well-being and, in short, an improvement in the current situation of each country.

The same can be said about the subsequent change in the situation created by the pandemic and the likely development of events. Despite the negative impact of the spread of COVID-19 on the economy of the countries and the slowdown of their development, the mentioned case should not become the beginning of deglobalization, but an incentive for the globalization processes, as I have already mentioned, to become more active and to proceed fairly.

Micro and macroeconomic stability of globalization processes should be considered as one of the directions of economic development of the country. Correctly conducted fiscal or monetary policy is the basis for maintaining micro and macroeconomic stability, which should ensure the strengthening of confidence in the country's economy. All this, both in the short term and in the long term, is reflected in employment and economic growth.

The essence of globalization and its opportunities create more economic resources, benefits, awareness, inclusive development, which is important for small and newly developing countries, because it brings economic benefits that affect each inhabitant. It creates more opportunities,

manpower, social, economic, education, self defense etc. And, threats can be, as we mentioned above, confusion of cultural values, financial risks, high competition, etc. However, it should be noted that globalization has more opportunities and future prospects than the threats caused by it.

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