

Significance of globalization in economic development, Case of Kosovo

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Abstract

Globalization has become one of the most commonly used words in every context, the official international discourse and non-official in the context of 'interdependence' and the nation's economy.

'Globalization' has evolved over time, and has become more significant since the end of the Cold War and the rapid release of emerging economies.

Globalization is not just a contemporary phenomenon. According to Chanda, "It has worked in silence for thousands of years without being given a name."

Indeed, globalization processes are constantly evolving, driven by economic aspirations of millions around the globe; while more people become involved, globalization will occur faster.

The purpose of this study is to analyze the effects of globalization, defined in the integration of economic activities, mainly through markets, the economic viability and global competitiveness in the sector towards the European Union.

Globalization has opened new opportunities for a broad development worldwide. However, it is not being developed equally because some districts are being integrated into the global economy quicker than others with evidence of rapid growth and reduced poverty.

For consistency purpose, a conceptually coherent analytical framework was used throughout the study.

The study consists of a literature review and assessment of factors leading to globalization.

Keywords: Globalization, international markets, the competitiveness of EU markets, global growth in emerging economies.

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Introduction

Globalization, a term used throughout the world, is not a new concept or phenomenon in academic writings and the business world nor it is new to social scientists, journalists, business analysts, management theorists, etc.

The concept has found expression today in all major world languages. Globalization is not just a contemporary phenomenon.

Nowadays many researchers know globalization in economic, social and cultural settings, with 'its society, the global'.

Thinking about joining and reshaping the world in a global village and the description of the dynamics of political and economic relations within, it is the essence and the development of a new phenomenon - globalization.¹

Development, however, although a multidimensional concept, deals with a rate of change in certain directions.

These changes in technology, social aspects, economic and political life lead nations towards a happy life. Therefore, it is closely related to the concept of globalization.

Development as a concept has attracted numerous definitions and interpretations among scholars and writers, although it handles the process of transformation of a society in a positive aspect. Therefore it is appropriate to understand globalization and development as two broad concepts for transformation!

The question can be asked whether the two concepts substitute one-another or whether they complementary concepts of a progress made in a particular society.

All types of businesses are experiencing new trends towards globalization. This basically illustrates the way in which contemporary globalization connects the communities of regions in developing world with those in other continents.

Therefore, the idea of globalization brought about new realities and other terminology such as: information technology, trade

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liberalization, economic competition or free enterprise and political emergency with a structure and a system that is people-oriented.

Globalization and Development: Some conceptual analysis

Globalization means different things to different people and so it is used in different ways in literature. Otherwise, it is understood as a process of integration of nations' economy and their culture, technology and governance.

More explicitly, perhaps, "it refers to the process of economic growth, increased economic interdependence and deepening economic integration between countries of the world. It is associated not only with the spread and volume of economic transactions across borders, but also the organization of economic activities which lie at national borders."

In other words, it refers to the increasing integration of economies, especially through the flow of financial markets around the world.

Sharing borders as barriers to economic exploitation that globalization represents means that every country of this world, rich, poor, developed or in development, will have access to any other country. This means that less developed nations have an unlimited access to developed country markets, and vice versa.

This again raises many questions and debates on the subject of state power and the continuing importance of the principles of independence, sovereignty and understanding of international relations.

Meanwhile, word 'globalization', which is used in many ways, in fact formed the source of confusion and controversy embedded in understanding the problem of full ownership of what the term suggests.²

Undoubtedly, some perceive globalization as a process of increased integration in world's economy as positive (rescue), others

² Sakellaropoulos T., *Yperethnikes koinonikes politikes tin epoxi tis pagosmiopoihshs (Supra National Community Policies in the Globalization Era)*, pg.37, Kritiki, Athens 2001.

see it as negative (penalty) in terms of patterns of uneven development.

However, beyond the general understanding, the concept of a perceived intensification of global interconnections causes a significant disagreement on the dynamics and characteristics it maintains.

Economic Development

Economic development involves the use of appropriate and adequate resources of a country to effectively increase productivity, improve human resource capacity, enhance the use of application technology and contemporary science. This would involve the mass education, political order, efficient management of human and material resources, and so on.

But in the field of global economic developments (globalization), Levitt, used the phrase to "characterize the major changes that have occurred over the past two decades in the international economy - rapid diffusion and widespread in the world of consumption, production and investment, services, capital and technology."³

The emergence of a new asymmetric division of international labor distribution along with greater economic activities, directed strategic corporate planning has replaced or state government efforts in different countries. It is also used for erosion of U.S. dominance after the war, and in world economies, through an increased competition in Western Europe and increased regional influence spheres.

Therefore, we have a decrease, moving away from a command economy, in particular in the context of the collapse of the centralized economy to a market economy, experiencing a worldwide spread of capitalism.

Over time, it is understood that the developing world is definitely wider spread than the developed countries.

³ Theodore Levitt, "The globalization of Markets" in Kontron, A. M. Sunrise... Sunset. Challenging Cataloging in Pub.Data.Canada.

For this reason, it is suggested that countries in the region and the world that are able to integrate into the global economy cannot take advantage of features that promote the growth of globalization.

Globalization, according to Obadan, means, "the growing integration of international markets for goods, services and capital to bring about significant changes in the face of the global economy which is often described as gravitation toward a global village"⁴ and further "the changes observed in size and structures of trade in goods and services, capital movements, productivity and efficiency gains that are driving growth and creating jobs in industrial countries," and the opportunity to export-led industrialization in countries with high income.⁵

This assertion is also consistent with Jacobson's statement that, "the new world economy that has emerged under globalization is characterized by an extra-ordinary volume and pace of international capital flows and a structure in which the production and marketing of goods and services are integrated across national borders."⁶

The process of globalization is thus playing a crucial role in efforts to determine the trade and other relations of foreign economic and national development strategy.

For this reason, globalization has become more intense in economic competition between companies and countries that provide even more impetus to international relations and domestic politics.

Again the goal, the level that is equal or unequal to the winners, sets up all situations including expanding the gap between those who are able to reap the benefits of globalization and those left behind.

There should be universal distribution of economic activities. In other words, activities should be encouraged among the rural sector and urban sector.

⁴ Mike I. Obadan, 1999. *"Features and Implications of Globalization"*, Nes Newsletters; Vol.40.1 June 99.

⁵ Ibid.

⁶ Jacobson, Larry: *Is the Economy draining us all; "The Boy Behind the Gate: How his dream of sailing around the world became a six-year odyssey of adventure, fear, discovery, and love"* -Jan, 2011.

Small amounts of the market, discouraging investment, further limit the opportunities for employment and further worsen the economic lay of native population.

Globalization of countries in transition

-The case of Kosovo-

Finally, we have a new stage for globalization of Western state power.

Paradoxically it is being developed despite the lack of a clear political willingness of Western leaders to develop their institutions and clearly state the mechanisms for global leadership and management.

Of course, Western leaders have developed a growing rhetoric of global responsibility, but there is a great reluctance to create real or supposed sources for development of global institutions and global forms of social changes which may provide greater stability.

The main beneficiaries of globalization of states are obviously economics and technological developments. The highest benefit comes from their power to determine the relations with other states and the globalization process itself.

Kosovo is a country that offers many opportunities for investment. It has a good strategic position; a country in the euro area; it has the youngest population in Europe, and has low taxes and cost-efficient workforce.

The banking system is one of the most stable in the region, and the privatization of public enterprises is in progress bringing great opportunities for foreign investors.

Today, Kosovo has more than 3000 foreign companies and mixed ownership.

This investment is spread across a wide range of business sectors as well as investments in publicly owned assets, sold by the government as part of the privatization program.

In addition, Kosovo enjoys finally inclusion in the customs free access to the European Union and the United States through the EU.

Autonomous trade preferences and generalized system of preferences allows all investors to export to EU and U.S., without any customs duty.

Economic growth and development also stem from the accumulation of physical capital (investment), human capital (labor) and technological advancement.

However, the experience of countries that have rapid production growth indicates the importance of creating the necessary conditions favorable for long term growth of income per capita. In other words, economic stability, institution building and structural reforms, etc. represent an important apparatus for long-term financial and technical assistance to finance investments in physical and social infrastructure in Kosovo, which are crucial for attracting private investments.

In broad terms, the minimum prerequisite for the process of globalization to takes root and become useful suggested that a country must include the banking system lubricates in the economic process through inter-effective financing, liberal system, openness and democratic practices, develop a strong private sector, motivated by moderate profits, alert citizens who support the government and a growing economy.⁷

For this purpose, there needs to be a system that is suitable for providing appropriate incentives for increasing production and productivity of the real sector of economy and thus enable economy to face the challenges of globalization.

In addition to fiscal measures, provision of infrastructure such as good roads, electricity and water, are among the necessary conditions for attracting foreign investors and reduce production cost.⁸

Kosovo for many years has been criticized by international mechanisms for the adverse business environment, whereas according to economic affairs experts has failed to improve the business climate.

⁷ Third World Economic Trends&Analysis. N.329, 16-31August, 2009.

⁸ *ibid*

What makes this unfavorable business climate, especially for foreign investment, according to economic experts, is bureaucracy, excessive procedures for starting a business, and the rule of law.

Improving the business climate in Kosovo is an essential element for encouraging foreign investment.

Global politics nowadays is an indisputable trend of globalization process, which as such is slow but surely dominates developments within the world politics. Political dynamics tend to potentially marginalize traditional forms of organization and management of citizens' lives.

Isolation is not a national interest of our country. The internal opening and democratization of social relations should be strengthened.

In fact, there is a need to build non-corrupt institutions, where rational consciousness will grow with special properties as a value of the process of globalization.

However, local experts in the field of economy consider that the current level of foreign investment is estimated to be insufficient considering the great opportunities offered by the Kosovo economy.

One of the normative theorists in the field of political science, John Rawls, states that a country's prosperity depends not on natural pool but the ability of people to develop their talents.

In this situation, although Kosovo has underground wealth, territory and power as a state and a young population, these factors do not determine developments in the social sphere in general and in the economic sphere in particular.

Regarding Kosovo's economic development, it is often taken as a priority that our population, in a great percentage is young and it will be taken as a catalyst for development and economic growth.

Given the normative theory and practices of other states, Kosovo, in order to succeed in the overall development in the era of globalization should have a fair social structure.

The fact that Kosovo is related to the regimes established by the European Union, EU rules, there is a need to create a society which will be capable to face European trends and challenges of globalization.

Therefore, following this road to EU, always under the Lisbon Agreement,⁹ Kosovo can achieve a social structure based on justice and the implementation of best practices.

Effects of Globalization

The increase of cross-border traffic flows in terms of money, information, people and technology, and efforts are made to prevent it.

Some argue that this is a classic situation where rich people have become even richer while the poor are poorer.

While global standards of living have generally been increased, as industrialization is taking roots in third world countries, they have not improved in developed countries. Today, the gap between rich and poor is expanding, as is the gap between rich and poor within these countries.

Many analysts claim that globalization has sunk Europe and it has already cleared most middle class Americans.

Spain and Greece are facing economic crisis, which many other European nations see in the near horizon: migrant workers in age receive health pension benefit packages while younger workers who pay for these benefits, are not doing anything for the income (or, paying taxes) made by their parents.

Globalization / corporatists / conservative, "free market" and advocates say that this is a great opportunity to cut benefits for the elderly (and youth in the future), thus bringing budgets back into balance in different countries.

From the days of Adam Smith, classical economics pointed out that the production and placing are only two ways to "create wealth."¹⁰

Homogenization of the world is now a different outcome with the same brand-coffee shops on every corner and the same stands, seemingly in every city and almost every country. Thus, while

⁹ http://europa.eu/lisbon_treaty/full_text/index_en.htm

¹⁰ Adam Smith. "*Wealth of Nations*" 1776.

globalization has promoted contact and exchange between cultures, it also tends to make them more similar to each other.

By finding a better solution, education, flexibility and adaptability are the key to survival. So far, the only answer that politicians and business leaders agreed on issues of globalization was that international market is the value of an educated workforce, flexible and adaptable.

Critics of globalization say that it weakens national sovereignty and allows rich nations to ship domestic jobs to foreigners, where labor is cheaper. What is the true story of globalization?

This depends on personal perspectives.

The main impact of globalization in the last 30 years has reduced the barrier to a market that countries have used for centuries to provide their economies a local self-sufficient system to transport production (wealth creation) from developed countries in developing countries.

Transnational corporations want this because in countries with low labor costs and environmental and safety regulations it is better for the manufacture of products.

First, it seems like a good deal for consumers in developed countries. Goods are cheaper! But more than a decade, even two or three, the creation of real estate is reduced and the residue of old wealth is spent. The developed nations are becoming progressively poorer and poorer. At the same time, the nations of the "developed" become even richer because they remain countries that produce the real wealth.

This brings us back to Spain and Greece - and the problem of all developed countries including USA. As long as globalization continues apace CEO and transnational corporations will continue to become even richer. But, what is more important, over time they seek to gain political power that comes with control of economies.

Conclusion

It may be noted in conclusion that while the world is growing rapidly and developing into a single unit worldwide to be known as the

global village, ongoing process of globalization is a direct function of national development.

Among other things, globalization is the tendency of investment funds and businesses to move beyond domestic and national markets to other markets around the globe, allowing them to be related to different markets.

Proponents of globalization say that it helps connection of developing countries with industrialized countries very quickly, through an increased employment and technological advances, as in the case of Asian economies that are often highlighted as examples for the success of globalization.

Clearly, industrialized countries will benefit fully by taking advantage of opportunities offered in many fields. Large markets for capital trade (economic fundamentals) will tend to move from relatively poor countries to those that are strong and developed.

Countries that have strong institutional framework and solid social policy and networks to cope with adverse external influences will more likely suffer the negative effects of globalization.

External factors, such as global trading environment, are crucial in creating greater opportunities, and presenting obstacles to economic growth of a country.

The globalization of economy, science and technology requires a very high degree of cultural development.

The contemporary condition of globalization is an asymmetry:

- Deepening of the gap between developed economies and developing countries;
- Intensification of the fight for additional access to resources and markets;
- Asymmetry-ecological;
- Poverty and polarization of people;
- Unequal-place people;
- Continuation of the international debt crisis.

Finally, the process of globalization not only refers to economic globalization, thus affecting the changing circumstances of our lives. This is the way we live today.

Resistance to economic globalization will be equally wrong tactic, as well as rich nations to poor nations.

Pessimist of globalization believe that it destroys local cultures, spreads world inequalities and exacerbates the very lives of the poor. Some say that globalization in the world creates winners and losers and it brings little benefit while the majority of people will be sentenced to a life in poverty.

Globalization is assumed to be a complex process, not a single one, and it develops ways in contradictory directions.

Most people think of globalization as simply market power, attractive or influential, in local communities and nations.

Regardless of all the negative aspects of globalization its appearance must be recognized as a challenge for the opportunities it offers to societal development, growth and welfare.

The future of the world, as well as any companies, depends on the construction of competition and the ability to achieve competitive advantage in the Kosovo, regional, as well as the overall global market.

Thus, the globalization of markets and competition in such a way provides more opportunities and consequently increases greater competition, thus creating a market with greater and lower interstate barriers.

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