

Position Paper III

Current trends of globalization shed light on different threats and opportunities in the years to come. Some economists view these trends in a negative way, while some others are optimistic about the globalization process. For example, Wallerstein (1994) claims that the present capitalistic system as a tool of so-called world-economy leads to the conflict of different groups of countries and is hardly balanced. In contrast, Baldwin and Martin (1999) argue that despite several drawbacks, the globalization as a whole has a harmony in the processes of convergences and divergences of the countries and a cyclical movement. Different perspectives should be analyzed to determine the likely trajectories of globalization.

Firstly, one challenge of the capitalistic structure formed within the globalization process is the threat of exploitation of the periphery countries, which are the emerging economies, by the core, i. e. developed countries. There also exist semiperipheral states, known as core-periphery, which lie in between the core and periphery as a point of balance and try to catch up the core countries (Wallerstein, 1994). The problem is whenever there is a new invention, which has been usually done by the core in the last years, it tries to monopolize it with the help of patents and other protectionist tools. For a period of time this invention is traded in a quasi-monopoly. It is also stated that the capitalism would not succeed, if it was absolute with perfect competition everywhere (Wallerstein, 1994). After a while, when the good becomes highly competitive in the market, the core switches to some other industry to form a quasi-monopoly for abnormal profits there too. Such tendencies of the core may be also viewed as an exploitation of the peripheral economies.

Another challenge of the globalization is the influence of western culture around the globe, while all countries have their own culture, language and religion. Huntington (1993) states that the domination of the west for the last few centuries creates hatred among representatives of different cultures, eventually leading to the clash of civilizations. It is also stated that even the elites that were previously studying in the western world, nowadays concentrate on their own culture and religion. The problem facing the globalization is that not only the technology and

modern tools are spreading but also the western values, which may sometimes oppose to the values of other cultures.



Finally, there also many advantages and opportunities of globalization. Baldwin and Martin (1999) state that throughout the two waves of globalization the trade and Foreign Direct Investments (FDI) have increased, having positive affect on many different countries (see Figure 1 and 2). Although the western economies were more industrialized and were producing more manufacturing during the first wave of globalization, as in a cycle, in the second wave eastern (Asian) economies started to regain their importance and pulling the manufacturing production to their side.

To conclude, we should be aware of both opportunities and threats of globalization to choose the correct policies for the good of everyone.

References

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