

Globalization of Supply Chain Management and International Relations in World Economic

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Abstract- At the present stage of the development of the world economy, supply chain globalization is deepening the process of intertwining the national economies of the developed and developing world, reducing economic barriers to the cross-border movement of finances, goods, capital, and services, thereby facilitating their access to foreign markets. Under these conditions, the large-scale growth of incoming volumes of investment and financial resources that contribute to the creation of new jobs, the development of modern technologies, know-how, becomes the objective basis of structural transformations and increasing development rates. A whole series of trends cited in the article gives reason to believe that globalization is a more advanced stage of internationalization of all factors of production when the system of international economic relations unites all national economies, strengthening the integrity of the world. This is an objective process that concentrates the prerequisites and factors for the development of the modern world community, and above all the scientific, technical and economic progress. At the same time, the world community makes coordinated decisions in the system of international economic institutions, guided by agreed rules of conduct and unified procedures at the global level. All this turns the world economy into a holistic global organism, united by the international division of labor, and by the gigantic trade and economic structures, the global financial and information network, which is basically aimed at stable dynamics and growth.

Keywords- The nature of globalization, interdependence, the export of capital, industrial production, global supply chain, scientific and technical interaction, coordinated solutions, unified procedures.

1. Introduction

The twentieth century entered the history of the development of human society as a century of unprecedented growth of international economic relations in all forms of trade, export of capital, industrial, scientific and technical cooperation, and migration of labor. By the turn of the century, international trade and the export of capital reached

impressive levels thanks to the gold standard, which provided ideal conditions for international settlements and payments, the rapid development of water and railway steam transport, telegraphic communication between continents. It is empirically proven that open export-oriented national economies in the second half of the twentieth century developed much faster than autarkic ones, focused mainly on the domestic market. Since the liberalization and opening of the economies of many countries are simultaneously accompanied by market reforms, the further internationalization of production of goods and services also expands the globalization of forms and markets. In modern conditions, the question is about larger-scale processes, a qualitatively increased level of internationalization, which makes it difficult to shift to isolated development. This is due to a number of new trends in the global (socio-economic and political) development. The most pronounced and large-scale among them are as follows:

- the widespread introduction of new information technologies, the creation of a global computer, television and radio network;
- the increasing role of transnational activities through TNCs and TNBs;
- deepening of the process of the international division of labor and the following development of integration associations in many regions of the world that have already proved their viability;
- the disappearance of forms of central planning of the economy in the countries of Eastern Europe, in the post-Soviet space, their transition to market-based development models, which has strengthened the integrity of the global economic system.

These trends are interconnected, integrated and multi-level. This process involves spheres of international production, international exchange, international finance, and trade. In other words, the globalization of economic activity combines such large-scale processes as international trade in goods, services, technology, and information.

2. The Key Prerequisites for the Globalization of the World Economy

In this context, some researchers believed that the world economy in the early twentieth century has already reached the stage of globalization. In fact, according to Iu. Shishkov, then, thanks to extremely favorable economic and political conditions, only certain prerequisites for globalization began to form [1]. As N. Zagladin thought, these are only quantitative parameters of the long-running process of economic internationalization. The deep essence of globalization lies in the fact that, with significant similarities with previous periods of its history, the world economy is moving into a qualitatively new state. It is about larger-scale processes, a qualitatively increased level of internationalization, which impedes the transition to isolated development [2]. Describing the qualitative issue of the process, V. Medvedev writes that “Globalization is nothing but a manifestation of the modern post-industrial stage of development of the economy and society in relations between the countries of the world. This is a new stage of internationalization of public life - economic, political, environmental, and demographic relations between nations. Globalization is acquiring its own logic and inertia, gaining increasing influence on the internal development of different countries. This is a new era in the economic history of mankind” [3]. According to the German economists H. Siebert and H. Klodt, “globalization is the process of transformation of disparate national economies into an integrated global one” [4]. In the course of this transformation, one of the major shifts in the history of the world community is taking place - the devaluation of states that for many decades used to serve as the backbone of the organizational structures. At the bottom, globalization is a controversial process. It opens up new opportunities for economic development, the interaction between nations and states, while at the same time exacerbates existing or generates new problems. “First of all, these are challenges of a general nature, connected with the emergence of any new factors in world development, calling into question the possibility of the normal functioning of the mechanisms of reproduction of social life, the stability of the system of international relations, the sustainability of the world economy, etc.” [5]. “However, such challenges”, as N. Zagladin writes, “usually cause alternative types of reaction ... possible modernization of the system associated with changing or transforming part of its elements, establishing new, structural intrasystem connections. The strengthening of mutual relations, mutual

dependencies, vulnerability of people, communities, and states, which became global by the end of the twentieth century, is the main objective content of the phenomenon of globalization” [2]. “... autarky cannot be the basis of progress. Currently, the need to consider world experience, business practice and technological culture of other states are especially obvious. Proponents of the opposite point of view confuse the concepts of globalization and colonization. Unfortunately, our country, for several reasons, has an intensified decline in the industry, which has led to the filling of the consumer goods market with import. But this happened not as a result of globalization, which has been developing along with a rise in production” [6]. “... A number of states (for example, China and India) have partially isolated their economies from the global economic field. Through the limited convertibility of national currencies and closed nature of the current account balance, as well as a system of restrictions for non-residents in the stock market and in the sphere of direct investments, these giants have secured relative freedom of maneuver in their domestic market. At the same time, China and India build their external relations in full compliance with the prevailing global patterns” [7]. Being bankrupt and reaching critical dependence on imports of consumer goods, intermediate products, machinery, and equipment, in the early 1990s, Russia was forced to almost completely liberalize items of current and capital balance of payments and introduce full convertibility of the national currency. We should also note that both China, India, and Russia are multi-level subsystems of the global economy. In this regard, we should focus on the formation of the legal framework for investment regulation, reduction of corruption, and ensure both control over compliance with the law through tougher penalties, and the stability of the political situation (16. p. 5). The experience of many countries of the world shows that the more closed the economy of a country from the world community is, the lower the rates of labor productivity, the more ineffective the structure of national production, and the worse the quality of goods are. A generalization of statistical data for 117 countries of the world, which account for 90% of the world's population, over the twenty-year period has shown that there are significant differences in the rates of economic development of individual countries that adhere to different policies in their relations with the world economic community. Countries with a closed economy showed an annual GDP growth rate per capita of 0.7%. At the same time, countries whose governments adhered to the policy of openness had their economic growth reaching 3.2% [8]. This reality

has confronted mankind with the most difficult task of the need to transition from the traditional model of regulating international economic and other social relations to a new, global one.

3. The Global Economy as a Self-Developing System

The global economy is becoming the only self-reproducing system. The supreme power in the economy moves from the national to the global level, and only the world market has a fairly effective information mechanism for regulating the inter-sectoral and inter-regional proportions of reproduction [9]. Currently, economics has focused on five major areas reflecting the state of development of the world economy, its sustainability or instability, regional and global dimensions: financial globalization, the emergence of global transnational corporations, the regionalization of the economy, the intensification of world trade, and the trend towards convergence. To understand the underlying processes of globalization, most scientists consider informatization as the basis and driving force of global economic development. In this regard, A.G. Movsesian sounds persuasive: "We are somewhat moving away from the well-known canons, which state that only economic processes are the driving element of history. Karl Marx believed that the basis for creating world-wide systems, for example, the world-historical process, lies primarily in the development of the world market created by industrial capitalism. It is difficult to deny the importance of this factor, but in order for it to take action, the industrial technologies should be created that form the main prerequisite for capitalist production, and they are not only inseparable from the corresponding information technologies, but are also largely due to them. Therefore, deep informational and technological transformations are the most fundamental factors of major socio-historical changes, including the process of globalization, that prepare and condition it" [10]. Sharing the same view, A. Elianov writes that "Internationalization, being a product of the industrial revolution that laid the foundations of a technological civilization, reflects its achievements ... While globalization is the product of the information and communication revolution that facilitates and accelerates the expansion of technological civilization" [11]. The information and communication revolution has accelerated the development of world economic relations. The data in Table 1 show that the physical volume of world merchandise exports is significantly higher than the

aggregate GDP in the last three decades of the twentieth century. The alignment of the trends of world trade and the world economy since 2010 means that world trade has lost its role as a catalyst for the world economy. At the same time, such a development raises the question of the prospects for globalization, since one of the signs of its intensification is the outperformance of world trade in comparison with production [12]. The combination of unprecedented rates of scientific and technological progress, the steady growth of openness in most countries of the planet, including developing ones, and geopolitical stability after World War II allowed the world economy to grow at an unprecedented pace. The result of these trends was a clear acceleration of economic development in the world.

4. Economic Globalization as an Objective Process

This indicates that the main impulses of globalization really come from the economy. Neglecting the economic component, the main argument is lost, confirming the objective nature of globalization as a process that is inevitable and fundamentally progressive, although controversial. Economic globalization serves as a factor in the development of the national economy and, in turn, it is increasing. This relationship is important to keep in mind for developing measures for the revival and sustainable development of production [6]. Objective changes in the areas of production, communication, trade, foreign investment, and finance turn the global economy into a coherent, dynamically developing global body, united not just by the international division of labor, but also by gigantic production-marketing structures and the global financial system. Having created technical prerequisites and incentives for the development of the intra-sectoral international division of labor (ILD), the information and communication revolution brought transnational industrial complexes and large-scale TNCs to the forefront of development helped to separate financial capital from the real economy and turn it into an independent, almost uncontrollable force. During the abolition of measures that restrain free competition in financial markets, which took place in the 1980s-1990s in developed countries, investment banks got a chance to engage in commercial lending, commercial banks - insurance, trading in options, futures. As a result, powerful financial holdings emerged in the global financial market. The formation of global financial networks, in the center of which are holdings, contribute to the synergy effect in connection with the unification of all types of

financial activity into a single system and the effect of scale associated with the wave of mergers of major financial institutions. Over the past 20 years, the daily volume of transactions in world currency markets has increased from \$1 billion to \$1200 billion, and the volume of trade in goods and services - only by 50% [5]. However, here the transboundary movement of huge capital flows and their dominant accumulation in speculative financial markets gives rise to the instability of the entire system of the world currency market. Such an example is the strongest monetary and financial crisis of 1997–98, which covered the entire international monetary and financial system. According to Evromani, currently, there are no generally accepted mechanisms for regulating or preventing the negative effects of financial globalization. A financial disaster that had affected many successful countries required the urgent mobilization of enormous resources. Only for the rescue of three countries - Indonesia, the Republic of Korea and Thailand - the IMF, bilateral and multilateral creditors were forced to mobilize almost \$18 billion, including more than \$36 billion of the Fund [13]. A series of crises in Russia, Argentina, Brazil, and Turkey confirmed the global nature of the global financial crisis. The virtually uncontrolled transboundary movement of huge capitals that have unacceptably separated from real production has a devastating effect on national economies, especially developing and transforming countries. Nowadays, the main regulating structure of the world economy is the “Group 7” with its supporting structures, which makes the most important political and economic decisions at the global level. “... The leading industrial countries (the “Group 7”) formed their vision of “a new international financial architecture” at the Cologne summit in 1999 [8]. On behalf of Group 7, Group 20 was created to develop specific proposals for reforming the globalizing financial system, consisting of finance ministers and representatives of central banks from 19 countries (including Russia) and the EU, which were proposed at the 2008 summit in Washington and continued at the 2009 summit in London. The main directions for reform included: improving regulation and supervision in the financial sector; external debt management; the role of international standards and disclosure rules; and choice of an adequate exchange rate regime [13]. The above parameters of the reform and regulation of the global financial system relate to the interests of all subjects of the world economy. In particular, the regulation of the debt problems of developing countries and countries in transition today is becoming one of the large-scale and urgent

problems of the global economy. The data in Table 1 speak for the magnitude of the problem.

Table 1. External debt of developing countries and countries in transition, billion dollars.

Groups of countries	1990	1995	1997	2000	2015
Developing	1181	1684	1790	2000	6200*
In transition		267	281	336	281**

Sources: WEO and International Capital Markets. Interim Assessment. December 1998. IMF. – Wash, 2001. – P. 89.

* <https://finance.rambler.ru/news/2016-03-18/dolg-razvivaiushchikhsia-stran-vyros-na/>

**Author’s calculations according to the CIA directory <https://ru.wikipedia.org/wiki>

In 1999, seven of the most influential countries decided to write off 90% of the debt to the poorest countries, provided that they carry out a program of structural reforms over the next six years. We should point here that the solution of the debt (in terms of the scope and coverage of the territories — the global one) problem, its regulation is a necessary condition for overcoming crisis situations and achieving sustainable economic growth for the majority of developing and transition economies. The intention to create a global stock market by combining 10 major exchanges (New York, Tokyo, Hong Kong, Australia, Paris, Brussels, Amsterdam, Toronto, São Paulo, and Mexico City) will contribute to the growth of the volume and speed of operations and transactions in real time. The capitalization of participants in the Global Stock Market is estimated at \$20 trillion (approximately 60% of the capitalization of all international stock exchanges) [13]. At the same time, the London and Frankfurt stock exchanges are being consolidated. According to the chairman and chief executive officer of the administrator of the New York Stock Exchange, R.A. Gresso, “the agreement under development will strengthen and globalize our markets in (both) Americas and in three time zones. Financial globalization in the framework of international financial transactions, i.e., an international movement of capital in the form of loans, credits, trading in securities, foreign exchange transactions, etc., is 50 times greater than international trade [14]. In the 90s, every dollar in international trade accounted for 8-9 dollars (some consider even \$30) in a purely financial turnover [10]. If we compare, the growth rates are quite evident: the growth of international trade over the last decade was 2 times higher than the growth rate of production; foreign direct investment in the same period grew 3 times faster, and international

operations with stocks grew 10 times. However, in subsequent years, eight years after the “great recession” of 2008, the results of globalization look unconvincing. General liberalization has resulted in real financial chaos, which in turn caused the collapse of 2008. Moreover, the pursuit of this policy only further exacerbates the global disorder [15]. In our opinion, the liberalization of the economy, as the basis of well-being, employment, and development, remained the goal of the governments involved in the formation of a new world economic order during the 40 years preceding the WTO creation. In international monetary and financial policies, the Bretton Woods institutions were engaged in such liberalization, which devoted themselves mainly to the formation of a “free market economy” in accordance with the programs developed by professional economists of the IMF and the World Bank. The governments of Western countries, which accounted for the majority of the authorized capital of these institutions, decisively influenced the development and orientation of the policies of the IMF and the World Bank, pursuing their interests in forming the world economic order [16].

5. Summary

We should conclude that currently, all the indicators of the world economy speak, rather, not about promoting globalization, but about its retreat on all fronts. It has not yet been seen so far, despite all the austerity programs being implemented on its behalf [17]. The fundamental driving forces of globalization, namely (a) foreign direct investment, b) international trade, c) the stability of international finance), seems to be unable since 2010 to provide the necessary stability and unity of the international economic system. Foreign direct investment, the main support of globalization, has steadily declined, dropping in 2015 to below 2% of the GDP of the main investing countries. In addition, according to UN statistics, for the first time since 2008, the withdrawal of foreign capital from developing countries exceeded its income by \$100 billion a year [5]. Most countries of the world today are members of the World Trade Organization (WTO), which means these countries have adopted a general program of liberalization of their markets, reducing or removing trade restrictions with the recognition of common trade rules [18,19].

6. Conclusion

The most important feature of the 40-year period preceding the WTO creation was the appearance of a large number of developing countries on the international scene, many of which were formerly

colonies of the industrial world. The economies were distorted by colonial domination. For these countries, the opportunity to take advantage of the participation in building a new world order based on economic liberalization should be combined with the need to ensure sustainable socio-economic development - a process in which the role of governments is as important and great as the role of the market. Therefore, developing countries rely on the understanding of the industrial world of their specifics, on the creation of special differentiated conditions for them, which make them able to become equal participants in building and benefiting from a globalized global economy. Globalization in the innovation sphere is manifested in the growing share of foreign funding for scientific research in most developed and new industrial countries and countries in transition. Integration into the global innovation sphere as the most important condition for sustainable development does not abolish but strengthens the importance of its national foundations due to the close links of the innovation process with the institutional conditions of the country, access to financial and human resources on a global scale. Due to its nature, globalization enhances the interdependence of the developed and developing worlds, eliminates all kinds of barriers to the cross-border movement of goods, capital, services, and facilitates access to foreign markets. This leads to the intensification of investment and financial flows, which allow creating new jobs, developing new technologies, know-how, effective marketing methods, which becomes an objective basis for structural transformations and increasing development rates. The rules and regulations for the implementation of trade and financial operations in the global market are universalized as a result of multilateral coordination within the framework of specialized organizations - WTO, UNCTAD, IMF, etc. Therefore, membership in such organizations for each country is a certain guarantee for its interests to be respected by other countries. At the same time, the countries themselves must, certainly, follow multilateral agreements on measures to regulate trade and the movement of capital. The role of the World Trade Organization in regulating global economic processes increases significantly, especially after the extension of its mandate to trade in services, protection of intellectual property and trade aspects of cross-border investment activities, although the equal rules of the game on the global market that are an indispensable condition and the legal basis of globalization do not meet the interests of many countries. A series of the above trends suggests that the world community makes coordinated decisions in

the system of international economic institutions, guided by agreed rules of conduct and uniform procedures at the global level. All this makes the global economy a holistic global organism, united not just by the international division of labor, but also by gigantic production-marketing structures and the global financial and planetary information network focused basically on stable and dynamic growth.

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