

GLOBALIZATION – FACTOR OF BALANCE OR BALANCE BREACH OF ECONOMIC ACTIVITIES IN THE COUNTRY

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Abstract: *Globalization of the economy from the standpoint of economic theory is a step in the development of socialization of production - the historical process that begins with the formation of the social division of labor in individual countries, and then goes beyond national borders. The emergence of the international division of labor and complementing its international production specialization and cooperation are the stages of the globalization of production, objectively predetermines the appearance of global products and global reproduction ratios.*

The present level of international division of labor has led to a situation in a world that virtually no country, economic activity which would have been isolated from the outside world and economic processes locked within the nation state. Foreign trade of a relatively isolated economy to compensate for the lack of certain types of resources and products has turned into a universal element of economic life. It is not seldom has an impact on all key processes, including long-term growth, the acceleration of technological development, increasing economic efficiency. Foreign trade of the Republic of Moldova is of great importance and directly affects the economic development of the country, reflecting the dependence of the state's economy on external factors, that is, the degree of involvement in the process of globalization.

Keywords: *globalization, economic processes, foreign trade, integration, export, import, trading balance, national economy.*

INTRODUCTION

Foreign trade of a relatively isolated economy to compensate for the lack of certain types of resources and products, has turned into a universal element of economic life. It is not seldom has an impact on all key processes, including long-term growth, the acceleration of technological development, increasing economic efficiency. At this level of internationalization of the economy transforms the world economy into a coherent framework within which national economies and societies are organic elements of a single global system.

In the second half of the twentieth century the growth of manufacturing was accompanied by deepening of the private and individual (within companies) division of labor. Developing specialization in production sucked subsidiaries in

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different countries in a rapidly expanding process of international production and technological cooperation.

MATERIAL AND METHOD

The object of research is the process of globalization and its impact on the current conditions of national economy of the state in the international economic community. Globalization is seen as a level of internationalization, which embraces all aspects of modern life: production, exchange and scope of economic and socio-political relations. This involves not only the breadth of the phenomena, but also about the quality of their depth.

In process of research analyzed statistics from the National Bureau of Statistics and World Bank, HeritageFoundation. To research the phenomenon of economic activity under the influence of globalization studied the work of various specialists in this field. In addition, the paper uses the following modern methods of economic research: a comparative, historical and statistical-economic.

RESULTS AND DISCUSSIONS

Foreign trade of the Republic of Moldova has a great importance and directly affects economic development of the country. We should analyze the list of products that Moldova exports to various countries and what it imports that can show the dependence of the country’s economy on external factors, that is, the degree of involvement in the process of globalization. (fig.1)

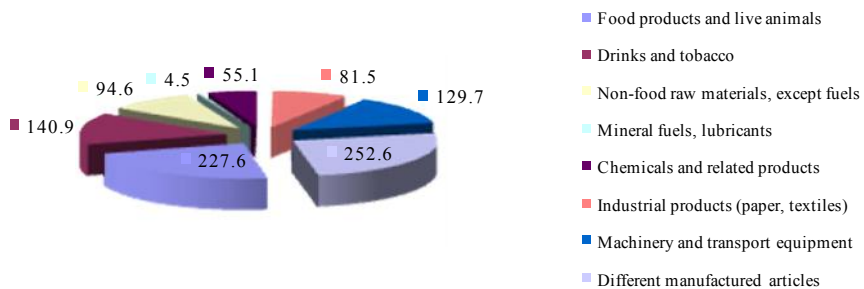


Fig.1. Export of goods from the Republic of Moldova in 2010 (million U.S. dollars)

Source: developed by the author based on data from the National Bureau of Statistics, 2010.

The structure of exports shows that the most of it is occupied by different manufactures - 24.98%. Agricultural products are also important; they have 22.51% of total exports, because the favorable agro-climatic conditions allow the production of crop and livestock products for trade. In addition, the widespread cultivation of tobacco all over the country and the production of alcoholic and soft drinks, which account for 13.93%. Since the country produces a variety of tractors and spare parts for vehicles, this type of product sold at a rate of 12.82% of the total exports. (fig.2)

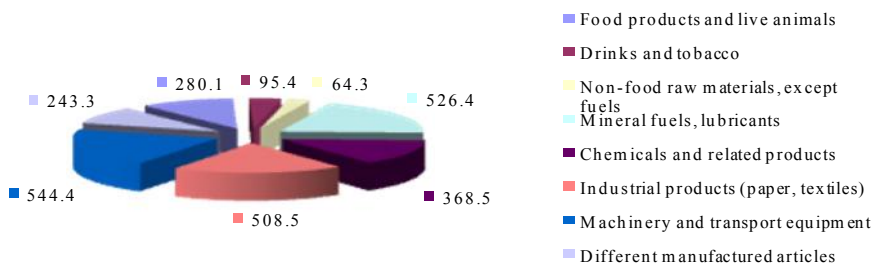


Fig.2. Import of goods to the Republic of Moldova in 2010 (million U.S. dollars)

Source: Developed by the author according to the data from the National Bureau of Statistics, 2010.

When comparing the values of exports and imports in 2010, almost all components of imports exceed the value of similar export products of more than 2 times. This has a negative effect on the main macroeconomic indicators of the national economy. In this case, globalization has a detrimental effect on production in general and foreign trade activities of the state, because the country cannot reach international markets, and just opening its own markets for foreign economic agents, who displace domestic producers. (Table 1)

Table 1. Basic indicators of enterprises by activity in the Republic of Moldova

| <i>Activities</i> | <i>The amount of enterprises, units.</i> | <i>Turnover of money, millions MDL</i> | <i>Products (works and services), millions MDL</i> | <i>Gross value added at factor Cost, millions MDL</i> |
|------------------------|--|--|--|---|
| Total | 30515 | 140920,4 | 73841,8 | 27316,9 |
| including: | | | | |
| Agriculture | 1678 | 4407,7 | 3940,7 | 838,1 |
| Manufacturing | 3897 | 22185,3 | 19363,8 | 4837,6 |
| Electricity and heat | 158 | 15545,4 | 6110,6 | 2561,7 |
| Construction | 1915 | 6483,4 | 6458,1 | 2204,7 |
| Trade | 13602 | 66909,4 | 13412,0 | 6282,6 |
| Hotels and restaurants | 1084 | 1255,3 | 1184,4 | 467,0 |

| | | | | |
|------------------------------|------|---------|---------|--------|
| Transport and communications | 2322 | 15577,3 | 15213,0 | 5967,9 |
| Real Estate Transactions | 4458 | 6496,6 | 6146,2 | 3231,1 |
| Other activities | 1401 | 2060,0 | 2013,0 | 922,2 |

These tables indicate that the largest numbers of companies are concentrated in the commercial sector, where is seen a significant cash flow. In this sector the main large enterprises are:

- Enterprise with foreign capital – «Lukoil-Moldova» SRL;
- Enterprise with foreign capital – «Petrom-Moldova» SA;
- Enterprise with foreign capital – «Metro Cash & Carry Moldova» SRL;
- Mixed business – «Tirex-Petrol» SA;
- Enterprise with foreign capital – «Vistarcom» SRL.

Worth noting that many of these companies are either mixed or created on the basis of foreign capital, which indicates the positive impact of globalization on economic activity, in addition to these businesses employ a large number of people that characterizes the social aspect of the internationalization of production.

Development of domestic production in the country and providing effective economic activity for small and medium enterprises is essential for the sustainable development of the country's economy. These businesses, requiring a relatively small capital investment, provide new jobs, much of the production of goods and services, expanding of individual economic opportunities, lower requirements in terms of construction and activity in the market.(fig.3)

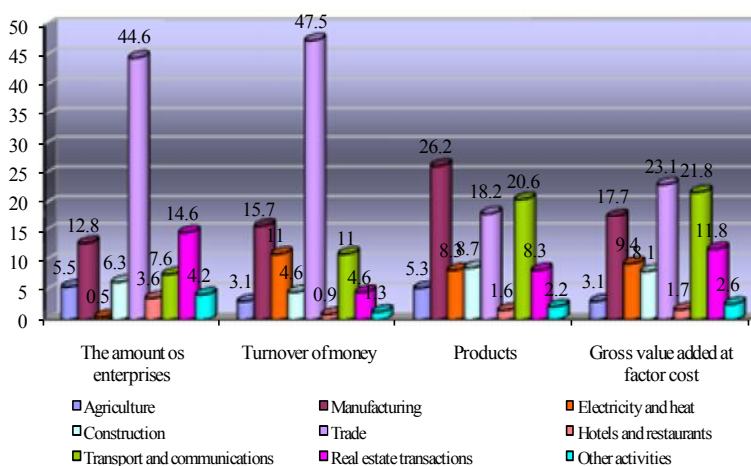


Fig.3. The structure of the main indicators of enterprises by activity, %

Source: developed by author according to the National Bureau of Statistics, 2010.

According to the latest World Bank report about the business climate in the Republic of Moldova (Doing Business) in the classification of 183 countries in 2010, compared with the same data in 2009, "business freedom index" has progressed from 108 to 94th place. Evolution, noted in the report of Doing Business is also confirmed by the Heritage Foundation, which concluded that "in general, freedom of doing business in the regulation of business activity in Moldova is well protected." And as an example, it is reasonable given that on average, starting a business takes 10 days; significantly better than the global average (35 days). [7]

In January-May 2011 in Moldova have been registered 3028 enterprises, or 10.3% over the same period last year (2744). According to the State Registration Chamber (SRC), with 1696 enterprises, or 56% of the total, were registered during this period in Chisinau, and 1332 enterprises, or 44% - in the territories. Most new businesses for five months of this year were registered in Moldova in March - 726, and the least in May - 506. According to the SRC in January-May 2011, Moldova was liquidated in 1386 enterprises, or 10.1% more than during the same period in 2010. [6]

Most companies since the beginning of this year was liquidated in March - 359, and least of all in January - 204. At the same 380 companies, or 27.4% of the total, was liquidated in January and May this year in Moldova, and 1006 enterprises, or 72.6% - in the territories. In general, June 1, 2011 The State Register contains information on 158 986 legal entities and individual entrepreneurs, of which: 67 031 - self-employed 75 021 - Limited Liability Company, 4834 - joint stock companies, cooperatives, 4051 (industrial, consumer and business cooperatives), 1456 state and municipal enterprises, nonprofit organizations 3136, 3457 - Other. The largest number of registered companies - 27% of the total - work in retail, 12% are engaged in wholesale trade, 15% - real estate transactions, 6% - production. [6]. At present there are registered and carry out their economic activities enterprises with different ownership forms, where dominate private ownership, ownership of joint ventures and enterprises with foreign capital, which is reflected in the following graph:

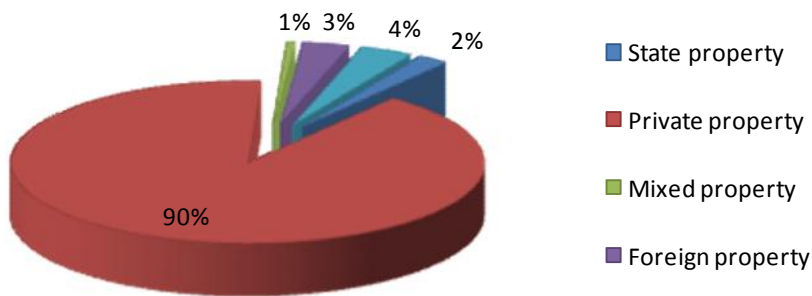


Fig.4. The structure of the main forms of ownership of enterprises in the Republic of Moldova

Source: developed by author according to the National Bureau of Statistics, 2010.

To achieve the objectives of the Program of the actions of the Government of the Republic of Moldova "European Integration: freedom, democracy, welfare, 2009-2013," was created an action plan of elimination of administrative barriers for business (approved by order of the Deputy Prime Minister and Minister of Economy N^o 38 dated March 5 2010). Implementation of the plan would remove obstacles to doing business, will help to de-monopolization of export and import, introduction of modern technologies of financial and statistical reporting, in order to minimize time and costs for businesses. [2]

In conditions of globalization the most sensitive measures for businesses in the country are as follows:

- reduction of activities that require the licensing and simplification of licensing procedures;
- eliminating of duplication of information provided by public authorities;
- control of procedures for starting a business by introducing a declaration of their own responsibility;
- simplification of legislative procedures for closing businesses;
- facilitate public access to digital signatures, especially for businesses, through de-monopolization of the certification process for public key and associated infrastructure;
- reducing the tax burden of reporting through the introduction of electronic declarations;
- optimization and simplification of the VAT refund;
- regulation of differentiated tax system for accommodation of commercial facilities based on their size and location;
- repeal of regulations that provide fines for employers, without cause damage to the state budget;
- creation and launch of "single window" statistical information and to submit electronic tax liabilities and payments for Social Security and Medicare;

CONCLUSIONS

The significance of the Republic of Moldova is measured by its ability, the ability of economic agents to integrate quickly and effectively into the international economic realities. This is necessary even only because of being a small country; it should secure a proper level of development, using its geopolitical position.

One of the problems of industrial relations in the context of globalization is to overcome the contradiction between the process of rationalization of production and deterioration of the situation on the market. No less important is the task of ensuring consistency between economic restructuring, increased competitiveness in world markets, economic growth and continuity in the quality of education and skill levels.

Under the influence of scientific and technological progress not only the state but also the business must hold (and begin to occupy) an active role in shaping of the optimal level of economic development.

The participation of the business in the economical development of the country, development of enterprises is very important, because the expansion of state functions causes a growth of tax burden that is obligatory for individuals and legal entities, which in turn leads to higher costs higher prices and a drop in the competitiveness of goods on the domestic and global markets.

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