PROS AND CONS OF GLOBALISATION IN THE POST-SOViet DEVELOPMENT OF THE BALTIC COUNTRIES

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Abstract

The goal of the presented paper is a detection of the socio-economic problems of globalization processes and looking for the ways of development for the Baltic countries. The rapid increase of the countries inter-dependence as one of the globalization effects has rather controversial consequences for different countries, since the economic security of some of them is gained due to the decline of others. The degree of the world crisis impact on the economies of different countries is also different. Undoubtedly, it depends on both the economic potential of the country and on the previous way of its economic development. Nevertheless, the economic experience indicates that the governing determining factors comprise the institutional conditions and economic policy of the state, the willingness and ability of the governmental bodies to oppose the interests of the own country and becoming more and more complicated actuality of the world economy. The comparison of Latvia, Lithuania and Estonia experiences is very evident.

Key words: globalization, economic policy, sustained development.

Introduction

According to the Bible fable, after the Flood the mankind was presented by one nation employing one language. The attempt of this nation to construct the single city (Babylon) and the sky-high Tower of Babel was interrupted by God Yahweh, who created the new languages for different nations, due to what people stopped understanding each others, could not continue construction of city and Tower and scattered all over the world. It is possible to assume that the modern ideas of globalisation have the Bible roots, concerning their inconsistency.

Undoubtedly, it is possible to percept cheerfully and optimistically the Utopian prospects about the time when all people are the citizens of one single state, created instead of all nowadays existing countries, when there are no differences in religions and various ideologies, when there are no reasons for starting the world wars, when all people are fellow citizens and belong to one single nation. Nevertheless, under the condition of equal utility of the globalisation process, difficult of accomplishment, the optimism decreases. There is a decrease in the perception of globalisation concepts due to the threads of losing the significant values.

Intrinsically, globalisation is represented by the process of developing the economic, political, socio-cultural and communication interdependence on the global level. First of all, globalisation is cooperation oriented on the solution of the global problems at the local level. Its figurative expression can be supposed the famous utterance “Think globally and act locally!”.

Due to the integration processes the world is not immense and unbounded any more, and people can communicate without restrictions, employing the modern technologies – the Internet and the mobile connection. Moreover, there are contemporary international organisations, defending the human rights, then it has become possible to exchange with knowledge and experience on the inter-countries level, as well as cooperation between countries focused on mutual assistance and solution of the common issues. One of the most important results of globalisation is declared to be the mobilisation of the resources of developed countries for improving the situation in the countries where the local authorities are unable of doing it.

Rapid increase of the countries interdependence, being one of the globalisation displays, demonstrates rather ambiguous consequences for different countries: the economic welfare of some countries often occurs to be the result of decrease in welfare of others. There is also difference in the degree on influence of the world crisis on the economies of different countries. Undoubtedly, it depends on both the economic potential of the country and the previously employed means of economic development. Nevertheless, the economic practice demonstrates that the following factors can be supposed to be decisive for the sustained development: institutional conditions, state
economic policy, desire and ability of the authorities to contrast and oppose the interests of the country to the complicated conditions of the world economy. Comparison of the experience of Latvia, Estonia and Lithuania in this area is seems to be quite demonstrative.

1. Contemporary Concepts and Aspects of Globalisation

The term “Globalisation” appeared in the scientific terminology in the last quarter of the XX century. In general the globalisation comprises the various social processes of global nature. It is possible to state that there are clear accurate approaches towards the globalisation nowadays, and within these approaches there is a theoretical interpretation of this phenomenon. Being the dimension of various educational and informative disciplines, the concepts of “globalisation” greatly differentiate conceptually. There are also developing philosophical, sociological, geopolitical, ecological and other aspects of this phenomenon.

The contemporary scientific literature employs the concept of “Globalisation” in its two principal meanings: as an objective tendency of the contemporary world development and as a real multi-aspect process.

The first meaning of “globalisation” presents the brand new stage of internationalisation of social life. Internationalisation and globalisation have such common features as widening and deepening the social links all over the world and facilitating the interdependence of the states and nations. At the same time, globalisation is not only the surge of internationalisation in the terms of global tendency, but its conceptually new stage. Its qualitative novelty is determined by new objective circumstances of the world community life.

By the end of the XX century information and technological revolution, new generation of the communication systems (jet engine aviation, rocket technologies, television, computers, microchips, satellites, mobile connection, Internet), have made any point of the planet available for people, capitals, ideas, documents in real time. People have adopted the capability of being in the different part of the planet at the same moment and to participated the events beyond their physical presence; the development of links and interconnection between people has become possible beyond state boundaries, custom rules, regulations, procedures.

In 1991 there was published the investigation of the Club of Rome – the report “First Global Revolution”. From the very first pages of this report its authors A. King and B. Schneider declare their adherence to the general methodological credo of all researches taken under aegis of the Club of Rome:

First, the global approach means simultaneous full-scale comprehensive impact on all issues at all;

Second, the primary attention is to be paid to the long-run aspect;

Third, tendency to penetrate into the essence of complicated combinations of global problems (political, economic, social, spiritual) under the common term “the world problems” or “humanity complications”.

The report consists of two parts. The first one is devoted to the analysis of changes, global problems and their negative impact, appearing in the world. The second part comprises the range of certain recommendations on eliminating the most dangerous “humanity complications” and appeal to the world solidarity in this urgent and noble mission of humanity.

“Humanity complications” are connected with the absence of abilities of humanity in general and single national states in particular to realise the crisis of the situation, to work out the new ethical concept corresponding to the contemporary development level, and then, following this concept, to set the political, economic, social objectives. The drawbacks of political, economic, social institutions and procedures, conditioned by imperfectness of human behaviour and ethic norms are the factors, facilitating the impermissible wastefulness in employing not only the natural resources, but also the human resources in wider concept, restricting the human freedom, decaying the responsibility and self-insurance. The report “First Global Revolution” states that, consequently, the humanity itself becomes the real enemy of people.

At the same time, the authors repeatedly warn against excessive enthusiasm with the economic liberalism. They are absolutely sure that the sustained society will never appear within the world economy, basing on the market mechanism only, since it is far from being all-powerful, although it is very important for providing the innovative process. The market mechanism is very susceptible to the minor phenomena of today but it can hardly become the
real compass in the procedure of solving the contemporary tasks.

To gain the management, based on the balance of interests, it seems to be important to form the multistage system of decision making, the most significant maxim of which would be the discussion of the issue and working out the solution at the level, closest to the layer of society, which is to feel the negative or favourable consequences of this decision [1].

In its second meaning globalisation is considered as a real wide multi-aspect process embracing all sides of the human society life.

To begin with, globalisation is the result of the self-development of economics.

Second, globalisation arranges the best conditions for growth and human wellbeing by the way of facilitating the free flows of goods, capitals and information [2].

Third, globalisation facilitates arranging the United World Socio-economic structure, resulting practically in the development non-variability [4].

Then, the international spread of culture is at least of the same importance as the economic processes [5].

The globalisation economic advantages comprise the international competition intensification and accordingly deepening the specialisation and international labour differentiation, increase in production at national and world levels, economies of scale, growth of labour productivity on the base of innovation implementation in the world scale, and finally the general increase of welfare in the world.

2. Negative Aspects of Globalisation

The negative results of globalisation on a par with its advantages have the multi-aspect nature and become evident in spiritual, social and economic and political spheres.

First, the world globalisation results in losses on national values. One of the active international activities outcomes is obligatory adapting the nations to the common subculture forgetting the national one and finally losing the cultures of numerous minor nations. It is said that the ideology of globalisation is liberalism; the currency is dollar; the means of implementation is capitalism; the political system is democracy; the language is English.

Second, globalisation does not allow the countries of the third world to develop independently, and this fact in its turn puts fatal impact on the level of their development and self-provision.

The third factor is occurrence of the sole governor in the created world. Too much power is concentrated in the same hands, and it results in total corruption and “fattening” the certain group of population.

Then, it is hardly possible to set the single price standard for the certain resources.

The fifth factor is greater material differentiation between the certain territories because of transformation of financing due to existence of some objects in certain districts. Most probably, the places of meeting of the authorities or places of holding the significant economic deals will receive the massive material.

The evident negative economic consequences of globalisation are as follows:

- Uneven distribution of the globalisation advantages among the countries, industries, and finally people;
- Decrease of employment in the processing industries and practically de-industrialisation of economy;
- Increase in gap between the level of earning of employers with different qualification, growth of unemployment among the workers with low qualification;
- Transfer of the production capacities into the countries with cheap labour;
- Labour migration and unemployment growth and part-time employment as a loss of investment in education.

The above listed economic disadvantages of globalisation are significant by this time in the Baltic countries and especially in Latvia.

3. Contemporary Problems of the Baltic Countries

After going out of the USSR and sharp fall of all macroeconomic indicators in the first half of the 90ies of the previous century all Baltic countries (post-soviet republics) demonstrate the steady advance of GDP and other indicators starting with 1995 (Fig. 1).

It is worth mentioning that the level of the economic development of 1990 the new independent Baltic countries reached only by the half of the first decade of the XXI century. Estonia employed its geo-economic situation at a comparatively higher degree, and this position is shown in the diagram and by the fact of entering the Euro zone by Estonia.
Basing on the analysis of dynamics of the main macroeconomic indicators it has been stated that the economic crisis in Latvia, developing at the background of the world crisis, affected the country deeper than crisis in neighbouring Lithuania and Estonia and in the majority of the post-social countries. It is conditioned by such factors as an excessive belief and trust in the liberal market structure, an insufficiently efficient governmental policy starting with the transition period. The prerequisites of the crisis situation (year 2008) appeared long before the crisis itself. According to numerous indicators Latvia was in zone of high risk, comparing to the countries – new EU members. For instance, Latvia was at the same level as Bulgaria and Romania in correlation of the foreign debt and GDP. There were negative indices of the balance of foreign trade (Fig. 2 and 3).

Comparing the changes, taking place during ten years (years 2000–2010) in the correlation of import-export of new Baltic countries with such neighbours as Sweden, Finland, Norway it is possible to notice the confirmation of existing the significant danger of uneven distribution of the favourable results of globalisation. During 20 years of independence Latvian economy demonstrates the evidences of deep negative structural changes. Agricultural production has contracted by fifty percent, the industrial production by seventy percent. The contribution of the industrial production to the GDP formation was reduced from 46,2% in 1990 till 19,7% in 2009; the contribution of agricultural production changed from 21,9% till 3,6%. There is substantial reduce in Latvian capital in the assets of country economy. Table 1 demonstrates the share of transactions on selling the enterprises in different industries of economy, in which the enterprises lost their belonging to Latvia [6].

<table>
<thead>
<tr>
<th>Industry of Economy</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks, insurance institutions, financial institutions</td>
<td>100</td>
</tr>
<tr>
<td>Food production industry</td>
<td>95</td>
</tr>
<tr>
<td>Services</td>
<td>93</td>
</tr>
<tr>
<td>Wholesale industry</td>
<td>92</td>
</tr>
<tr>
<td>Transport infrastructure</td>
<td>88</td>
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<tr>
<td>Retain trade industry</td>
<td>86</td>
</tr>
<tr>
<td>Other productions</td>
<td>83</td>
</tr>
<tr>
<td>Forestry and wood processing</td>
<td>70</td>
</tr>
<tr>
<td>Information Technologies and telecommunication</td>
<td>54</td>
</tr>
<tr>
<td>Construction and construction materials</td>
<td>50</td>
</tr>
</tbody>
</table>

There is a logical question which was put as a title of one of the conferences held in Riga on the initiative of the Institute of National
Resources: “To sell out or to Manage the Country Economy?” certainly, it can be taken as a rhetoric one, but Latvia possesses fewer and fewer possibilities for improving the efficiency of managing the economy of the country.

Only the sphere of material production can serve as a basis for managing the economy of the country, even in post-industrial economy. The industrial structure of Latvia manifests the de-industrialisation tendency within the country even in pre-crisis period (table 2).

<table>
<thead>
<tr>
<th>Industries of Economy</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Services</td>
<td>28.6</td>
</tr>
<tr>
<td>Trade (including hotel and restaurant business)</td>
<td>18.9</td>
</tr>
<tr>
<td>Public Services</td>
<td>16.1</td>
</tr>
<tr>
<td>Transport and Connection</td>
<td>10.7</td>
</tr>
<tr>
<td>Industry</td>
<td>13.7</td>
</tr>
<tr>
<td>Construction</td>
<td>8.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Table 2. Industrial structure of the GDP of Latvia in 2008

The situation is worsened by the negative balance of the migration processes – the number of population in Latvia decreased by 13%, or 309 thousand people during 11 years (the data of the population census of 2011). According to the estimation of experts, the non-registered outflow of population of Latvia abroad on the purpose of searching employment doubles the reduction in the population number.

Conclusions

The globalisation process consists of tree interconnected components – new international labour differentiation, international production and political relations. Every of these directions contain both advantageous and disadvantageous opportunities, and this is the key of globalisation inconsistency. It is impossible to eliminate the contradiction without conflicts and social tension. The objective of the government is to directing the vector towards the progress.

The governmental economic policy of the Baltic countries has to be of pre-empt nature for providing the sustained development of the country under the conditions of globalisation inconsistency. The certain stabilizing economic procedures are to be taken not only in crisis times, but also in the stage of economic growth.

References

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