

GLOBALIZATION AND ITS NEGATIVE IMPACT ON THE GLOBAL ECONOMY

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Abstract. *The purpose of the article* – to reveal causes and to generalize consequences of the negative impact of globalization processes on the world economy. *Methodology.* The theoretical and methodological basis of scientific research is the work of well-known scientists in the world who studied issues of globalization development and its influence on separate spheres of economic life, official statistics of the International Monetary Fund and the World Bank on the dynamics of economic development, own research results. In order to achieve the validity and reliability of the research results, the following methods were used: inductive and deductive – for theoretical conclusions; generalization – in studying the content of works of scientists on the impact of globalization processes on the world economy; analytical – during the study of economic consequences of globalization; cause-and-effect – to obtain final conclusions. *Results.* In this article, causes of the negative influence of globalization processes on the world economy are disclosed. The analysis of economic development of countries in the context of the world economy and, in particular, developed economies, countries of the euro area and developing economies is conducted. Consequences of the negative impact of globalization processes on the world economy are generalized. *Practical meaning.* The results of this study may be useful to rating agencies, the structure of the World Bank, the Ministry of Ukraine for European and Euro-Atlantic Integration. *Value/originality* – the reasons and economic consequences of globalization for the world community are specified. Further research should be aimed at preventing the occurrence of crisis phenomena and processes.

Key words: global perspective, growth slowdown, effect of impact, economic consequences of globalization, world economy.

JEL Classification: F01, F43, F6

1. Introduction

Global changes that accompany the world and the economic relations between its actors, ranging from international communities to small companies and consumers, are both positive and negative. In the context of the aggravation of socio-economic, political-legal, environmental, financial, and other relations between countries of the world within the framework of integration unions and at the international level, it is vital to study negative consequences of the economic nature of globalization. Economic consequences of globalization have a direct impact on the global community as a whole, changes in macroeconomic

and microeconomic impacts, economic development of countries and their associations, the environment, finance, migration processes, political environment, etc. Underestimation of the negative impact of globalization on the world community can lead to large-scale crises in the global economy and the destruction of world economic interaction under the pressure of negative consequences that accompany the internationalization of economic life. Therefore, the analysis of causes and consequences of the negative impact of globalization processes on the world economy has an indisputable relevance and is a timely scientific task that needs immediate resolution.

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2. Literature review

The issue of studying the impact of globalization on the world economy has been studied by scientists since the creation of the GATT, but they have gained in-depth analysis since the beginning of the XXI century when the global problems of mankind were considerably aggravated. However, most often works of researchers determine positive effects of globalization. In particular, the increasing levels of globalization and economic interdependence between countries in recent decades, the promotion of economic growth of factors such as political freedom, low levels of corruption, and the availability of quality institutions are pointed (Horn, 2011). The effect of increased trade and investment flows between countries, especially Asia, is emphasized (Abdin, 2017; Das, 2016). The positive impact of globalization on the standard of living, development of innovations, formation of a competitive environment, advantages of cooperation between governments of countries, global awareness of problems are analysed (Levy, 2012). At the same time, there is a sharp debate about the reasons for the slowdown of economic growth in the global economy (Aghion, 2002; Ayres & Warr, 2009). Causes of the loss of skilled labour in developing countries are revealed, as well as the contradictory nature of offshore outsourcing (Khan & Islam, 2006). Negative consequences of even a short-term increase in the migration of highly skilled personnel to the human capital of a country and the ability of the economy to introduce new technologies are specified (Marchiori, Shen & Docquier, 2013). The influence of technological advances on the change of experience and activity of the population and its aging are studied since the volume of labour, labour productivity, and supply of capital depend on it (Ramakrishnan, 2011).

3. The main characteristics of the globalization of world economic processes

The globalization of the world economy is one of the most important signs of a modern economy. This concept should be considered in the context of strengthening the interconnection and interdependence of its spheres, participants and regions, factors of acceleration of internationalization of economic life, development of links between economic systems of different countries of the world, which have both positive and negative impacts on the world economy.

Globalization processes become widespread as a result of deepening the international division of labour and cooperation of production, which has provided additional competitive advantages to the highly developed economies of the world and led to an increase in the gap between their level of development and the level of development of the developing economies. The growth of the interdependence of the economies of the

world gave them comparative competitive advantages, became the main reason for the change in the world commodity structure, created preconditions for the economies of China and Singapore for the active entry into the system of world leaders.

Openness of national markets and circulation of goods, capital, labour without significant restrictions has become one of the main signs of globalization of the world economy but, at the present stage, it has led to the lack of the possibility of securing both the economic security of individual countries and regions (USA, EU, Israel, Syria, Turkey, Egypt, etc.), and peace and security on the planet as a whole. For example, the North American Free Trade Union initially gave the USA and Canada the greatest impact, but over the next 20 years, Mexico's economy grew considerably, and its workforce was endangering USA economic security through excessive migration processes.

The formation of a global information space, which greatly accelerates the exchange of data, qualitatively changing business processes, is now largely dependent on the presence of supercomputers in the country. By November 2017, the USA dominated here, but now they fully and completely "passed" their powers to China (TOP500 Supercomputing Sites, 2018).

It should be noted that the development of globalization since 2014 is largely hampered by the information war and aggression in Russia, aimed at erosion of relative stability in the world, including the conduct of hostilities (on the territory of Ukraine and Syria), the annexation of territories (Autonomous Republic of Crimea), terrorist activities in many countries of the world (Spain, France, Germany, Turkey).

4. The main development trends of the world economy in the period of 2000–2017

The peculiarity of the development of the world economy of this period is that by 2014 globalization processes have greatly provided intensification of international trade, a large impact on the world economy of the World Bank and the IMF, the dominance of transnational corporations and alliances, deepening regionalization of the world economy, characterized by intensive migration and investment processes (skilled labour went there, where significant investments were directed).

The period of 2015–2017 is described by unprecedented trends in the reduction of trade in goods and services, China's dominance in TNC market, the growth of economic risks for the EU and the USA, the lack of bank resources in the advanced countries of the world, which, in order to encourage their attraction, are lending rates less than zero, the growth of volumes of arms trade, the strengthening of migration processes as a result of increasing the danger in different regions of the world, the political confrontation between the USA, Russia, and the EU, the interference in foreign policy of

countries that acquires a total scale, the emergence of the threat of global environmental challenges.

Economic growth, which is often mentioned as the result of the development of globalization and internationalization of economic life, practically does not exist. Indeed, since the mid-sixties of the XX century, the pace of economic growth has steadily declined, even despite their cyclical nature (World Bank Group and OECD, 2018). That is, the existing myth of globalization as a way to economic growth bursts like a soap bubble.

Let us analyse what happened in the global economy during the last decade (Table 1).

The decline in 2007–2009 is typical for all regions of the world, the economy of the EU countries suffered the greatest fall. Reasons for such a situation were the crisis in the real estate market preceding the financial crisis, the instability of the euro and the dollar, the aggressive behaviour of the USA tycoons in the market of East Asian countries.

In 2010–2011, there is a recovery, however, in the future – in 2012–2013 – the stagnation of economic processes, and in 2015–2016 – the drop in world market growth in all regions. It should be noted that the least affected and characterized by the highest growth rates is not the economy of those countries that are a part of the integration unions but that one of developing countries. The explanation is simple: in these regions in the investigated period, the largest investments were made from the developed economies and the EU countries, which served as insurance of various types of risks, including financial, real estate market, currency destabilization, etc.

5. Determination of causes of the negative impact of globalization processes on the world economy

Among the reasons for the negative impact of globalization processes on the world economy, it is expedient to highlight the following:

1. Loss of control over economic development by governments because of the dependence on changes in the world market situation, activities of the World Bank and the IMF, business structures' use of offshore zones.

2. The growth of the influence of monopolistic entities (TNC and TNB) on world economic processes.

3. The struggle for world domination among integration associations of different regions of the world over available resources (NAFTA, EU, ASEAN, etc.).

4. Lack of responsibility zones for the economic consequences of the negative impact of globalization on the global economy and the environment in particular.

5. Lack of effective mechanisms for dealing with crisis phenomena and processes within the global environment (food, financial, political, social, and other crises).

6. The dominant influence of international credit and financial institutions on the development of the majority of countries of the world.

7. Lobbying own interests by countries of the world that significantly prevail over regional or even international and global.

8. Lack of targeted use of funds aimed at preserving the environment, preventing clogging of the world's oceans, air, and land resources.

9. Inability to anticipate the whole set of problems that will have negative economic consequences for the world community.

10. Lack of stability of growth and drop in world economic growth rates in all regions of the world.

The list of reasons of the negative impact of globalization processes on the world economy can be complemented by identified UNCTAD factors that have the most negative impact on the change in foreign investment (World Investment Report, 2017, p. 7): geopolitical uncertainty, terrorism, social instability, changes in trade deals, change in exchange rate, interest rate growth, debt repayment by developing economies.

The identified causes lead to economic consequences that have a varied manifestation but often lead to an aggravation of the socio-economic situation in the world that is developing into crisis phenomena and processes, as was the case in 1987–1988, 1997–1998, 2008–2009, and as it will be in 2018–2019.

6. Economic consequences of the negative impact of globalization on the world economy

The modern economy is characterized by considerable destabilization compared to a decade later. This is largely determined by the negative economic consequences of globalization:

on the world community as a whole:

– gradual loss of cultural and national identity by developing countries. The formation of a “new economy” under globalization leads to the domination of the information and communication sector, advertising market and mass media of the most developed countries

Table 1

Growth rates of the world market by regions, % (International Monetary Fund, 2017)

Regions and the world as a whole	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Developed economies	2,7	0,1	-3,4	3,1	1,7	1,2	1,3	2,0	2,1	1,7
EU countries	3,0	0,4	-4,5	2,1	1,5	-0,9	-0,3	1,2	2,0	1,7
Developing countries	8,6	5,8	2,9	7,4	6,3	5,4	5,1	4,7	4,2	4,1
World	5,6	3,0	-0,1	5,4	4,2	3,5	3,4	3,5	3,4	3,1

of the world, and the corresponding dissemination of language, cultural, ethnic, historical, and other achievements. As a result, countries lose additional revenue from tourism, domestic producers are squeezed out of the market;

– the openness of borders and economies of a large part of the world forms preconditions for the spread of terrorism, the criminal threat of transnational crime, and poses a direct threat to the economic security of such countries. No country in the world is able to counter the terrorist threat independently, which is substantially complemented by violence and information warfare;

– escalating complex crisis phenomena and processes within the global environment;

on changing tendencies of macro and microeconomic influence:

– countries that are a part of integration associations, the World Trade Organization and the GATT are obliged to adhere to the basic principles of their functioning, including the greatest promotion, reciprocity in the provision of trade and political concessions, settlement of disputes through multilateral negotiations, etc. However, for a particular country, this may be an obstacle to the protection of the national economy. Multilateral negotiations between countries, aimed at resolving disputes, can last for years, which leads to destabilization both in the middle of countries and in the global economy as a whole;

– governments of the world are forced to subordinate the formation of a legislative and regulatory framework to international law, to implement socio-economic policy in accordance with the IMF requirements in order to obtain currency tranches, which increases legal and social instability in society;

on the economic development of countries and their associations:

– activities of TNCs that use mechanisms of distorting transaction prices, using differences in tax regimes in different countries, contribute to the outflow of natural resources from less developed countries at low prices. Similar mechanisms contribute to the outflow of skilled personnel and financial and investment resources. As a result, there are economic crises, population cuts, lack of funds to support economic development, and dependence on IMF loan resources;

– the inability of government institutions to positively influence changes in macroeconomic indicators over the dependence of economies on changes in the conjuncture of international markets, activities of the World Bank and the IMF;

– destabilization of the development of economic processes in developed economies over the outflow of funds for the needs of developing countries. In developing countries, on the contrary, because of the loss of the financial and credit system's ability to self-

development and self-development through the use of foreign borrowing (with the exception of China);

on the environment:

– lack of responsibility zones for the economic consequences of the negative impact of globalization on the environment leads to prolonged natural and technogenic catastrophes (greenhouse effect and melting of glaciers, a landfill in the Pacific, a nuclear power plant accident in Japan, etc.);

– intensification of industrialization and urbanization as a result of the globalization of world economic processes led to a decrease in the ability of environmental systems to self-healing and purification;

on finance:

– reduction of receipts in the form of taxes and fees that do not come to the budgets of countries as a result of activities of TNCs, which actively use free economic zones with privileged tax treatment regimes, favourable for business development;

– deterioration in the financial sector manageability in countries due to the significant dependence of central banks on the policy of the World Bank and the IMF;

– uncontrolled outflow of capital under the influence of a significantly higher level of liquidity and security of world financial markets, which adversely affects the stability of the financial system of countries;

on migration processes:

– the uncontrolled outflow of skilled labour from countries where there is no necessary level of stimulation of their work for normal livelihoods and reproduction as a result of directing global investment flows into the zone of high profitability of business;

– poorly controlled low labour force inflow into developed economies and industrially developed countries of the world, which leads to an aggravation of the socio-economic situation in the country where the labour force migrates;

– the growth of “frozen flow” of refugees as a result of hostilities in the countries, the crisis of society, a decline of living standards, impoverishment of the population;

on the political environment:

– trying of countries of the world to reach their own interests along with regional or international leads to a deep confrontation of goals and interests of the parties to globalization, the intensification of relations between countries, the conduct of hostilities in the struggle for world domination over available resources;

– globalization processes contribute to the division of the world into regional groupings by political interests.

Thus, the globalization of the world economy does not allow conducting the regulation and reproduction of national markets so effectively that it contributes to the economic growth of countries of the world, regardless of their regional origin, requiring a radical reorganization of the existing system for coordinating economic policies of countries.

7. Conclusions

The scientific research is devoted to solving the relevant issue – the disclosure of causes and the generalization of consequences of the negative impact of globalization processes on the world economy.

A critical analysis of works of contemporary scholars has shown that the globalization of the world economic system is one of the most important features of the present-day economy and has a polyvector influence on its development. Analysis of trends of the world economy in the period of 2000–2017 indicates an aggravation of economic problems and a decline in economic growth rates in all regions of the world at the end of the study period (in developed economies – by 0.4%, in the EU countries – by 0.3%; in developing countries – by 0.1%). This situation is the result of growing instability in the global economy and society as a whole.

The identified causes of the negative impact of globalization processes on the world economy are often characterized by economic consequences that

have a direct impact on the world community as a whole, changes in macroeconomic and microeconomic impacts, economic development of countries and their associations, the environment, finance, migration processes, political environment. The economic consequences of the negative impact of globalization on the global economy are an increase in crisis phenomena and processes within the global environment, growing threat of terrorism, socio-economic instability, and geopolitical uncertainty.

In order to minimize the negative impact of globalization on the world economy, a comprehensive reorganization of the existing system of economic policy coordination of countries around the world, based on the development and implementation of a collective program of actions of socio-economic and military-political security of mankind, is necessary.

Further research should be directed towards improving mechanisms for addressing crisis phenomena and processes within the global environment, based on the development and implementation of a collective program of action of the world community.

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