The Transformation of National Economies under the Influence of Global Integration Processes

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Abstract: Today, the economy of every country is directly dependent on globalization processes. Globalization provides opportunities for international activity, but its imperfections create significant problems for every country. The publication revealed the key features and consequences of globalization, particularly systematic ones, through documentary, correlational, and sequential analysis, as well as inductive, deductive, and thematic aggregation. The main criterion for the study was the globalization index, or KOF index, which, in close connection with gross domestic product per capita, confirmed the high level of economic wealth. At the same time, indicators such as unemployment, inflation, and public debt, when aligned with globalization trends, became practically insignificant. It was confidently stated that countries with huge debts suffered the most during the 2008 global economic crisis. Research also showed that Asian countries were integrating into the global economy and competing with the US and the European Union, including China, which had taken one of the leading positions in the export landscape of GDP. The claim that globalization benefited the "global north" was refuted. The same problem persisted in the same member states: international relations, namely globalization, imposed social capital inequality, which created a differentiation gap. This required government strategies that could harness the opportunities of globalization and eliminate its negative effects, as participation in international economic movement and the promotion of economic development were priorities for the country.

Keywords: economic development, globalization, global security, influence, international economic relations

Introduction

Contemporary economic dynamics include globalization processes. They significantly influence the global economy and the internal economic mechanisms of individual countries. Globalization leads to deeper integration of national economies, intensification of international trade, and the opening of new opportunities for investment and technology exchange. All these factors, directly or indirectly, contribute to the economic rise and development of developing countries. Thus, superpowers, faced with growing external markets and sustained interest from Western investors, create simplified conditions for significantly accelerating economic development and achieving economic benefits. Globalization seeks to prevent the growth of economic competition in countries while offering new opportunities, attracting growing human resources and new technologies, which leads to easier access. On the other hand, globalization implies increased global competition, which exacerbates social and economic inequality while worsening conditions. The economic development of a country under strong pressure from external investors undermines the national economy and increases the risk of crises. Despite the difficulties, globalization serves as a business factor for the rapid modernization of our state.

Materials and Methods

Due to its controversial nature, globalization has become the subject of numerous scientific studies. In general, scholars focus on its impact on economic development worldwide. Two main approaches to studying this phenomenon can be traced in academic literature. Proponents of the neoliberal concept argue that all countries benefit from globalization. In their view, developing countries will receive foreign investment thanks to access to international markets, and advanced technologies will be integrated into production, which will significantly increase the economic potential of these countries. Developed countries will also benefit from globalization: for them, it will mean protecting economic stability, stimulating the introduction of new solutions, developing entrepreneurship, and significantly reducing macroeconomic risks.

This approach does not provide for a critical analysis of globalization processes. According to this document, globalization represents an intensification of socio-economic confrontation between industrially developed countries, the so-called global North (the US, EU countries, Japan), and countries of the global South (much of Asia, Africa, and Latin America). As Taylor [1] describes in his paper, one of the consequences of globalization has been a powerful wave of migration from the South to the North, as well as an increase in illegal activities, including arms, drug, and human trafficking, within the global system [1].

Analyzing the financial consequences of the 2008–2009 global crisis, Shevchenko et al. [2] note that globalization tends to hinder a country's economic development. This is due to the influence of multinational financial organizations such as the IMF and the World Bank, which tend to impose a Western model of economic management.

The authors collectively, in a joint work edited by Reinert, “Handbook of Globalisation and Development” [3], refer to globalization as a relatively new phenomenon, analyzing its processes but paying the most attention to the impact of globalization on economically southern countries. Some of these include tax evasion, transnational crime, capital flight, rising external debt, and mass emigration, which, according to the researchers, slow down economic growth.

In their work, Bielialov et al. [4] criticize the Marxist anti-globalization position, arguing that globalization gives grounds to consider the world “flat”, which contributes to the leveling of inequalities between developed and less developed countries over time. However, this does not mean that uneven development will be eliminated. On the contrary, it becomes a manifestation of a more deeply disguised uneven growth model that creates new challenges for poorer and richer economies.

According to Horner et al. [5], there has been a “major shift” in the public perception of globalization in the 21st century. The author emphasizes that the global North has become increasingly critical of this process in recent years. This indicates a profound change in the dominant approaches to the model of globalization. At the same time, unlike the global North, globalization is increasingly perceived positively in the countries of the Global South – despite the fact that, from the perspective of neo-Marxist theory, these countries should have suffered the most [6]. This change may be the result of new patterns in the geography of global inequality.

In this regard, the topic of the interaction between globalization and economic development remains highly relevant and widely studied in the scientific community. However, most studies focus primarily on the general consequences of globalization for global or regional development or analyze its individual elements, such as international trade or the impact of financial crises. Instead, an in-depth study of the impact of globalization processes on national economies often remains outside the scope of analysis. In addition, the orientation of researchers towards dominant theoretical paradigms – neoliberal or neo-Marxist – limits the breadth and diversity of approaches to studying this phenomenon.

Research Methods

In this study, the main principle of the systemic approach is globalization, which is observed both in the development of the world economy and in the development of national economies. The accumulation of data and achievements allows predicting how globalization may affect a particular economy, identify its strong and lasting aspects, and develop approaches to neutralize them. If done constructively, this can, first, reduce the negative impact and, second, significantly increase the positive impact.

The study used statistical reports from international economic institutions, peer-reviewed scientific articles, and analytical materials from leading research centers. The selection criteria were scientific reliability, relevance, relevance to the topic of globalization processes, and availability of data for comparative analysis. Particular attention was paid to official statistical databases (World Bank, IMF, WTO), which made it possible to quantitatively verify the results. The sample covered documents published in 2000–2023, which formed the basis for tracking both long-term and short-term trends in the subject of the study.

Research on this topic involves the following stages of work:

1. Research of open sources using a linear correlation structure.

2. Linear sets of all permitted and unregulated boundaries.

3. Abstract elements of a certain localization with regional restrictions on application, such as deduction, induction, generalization, abstraction.

In this work, there is particularly highlighted the index approach, for example, with the Gini coefficient, the KOF Globalisation Index, and corruption perception indices.

To minimize potential internal biases inherent in the use of open sources, a multi-level methodological strategy was applied. First, methodological triangulation was ensured by combining data from different categories of sources, including official reports of international organizations, peer-reviewed scientific publications, and statistical databases of authoritative institutions. Second, the reliability of the results was enhanced through a comparative validation procedure, whereby information from one open source was systematically cross-checked with at least two independent sources. Finally, at the interpretation stage, critical discourse analysis was used to identify ideological framing, which allowed us to focus on objective economic trends rather than narratively driven biases.

Results

Globalization is a complex phenomenon that includes human activity within a specific society. However, in a global world, it is usually associated with the deepening of integration ties – the internationalization of the economy on a planetary scale. According to Sytnyk et al. [7], globalization processes aimed at strengthening economic interaction between countries are the result of an increase in the number of international trade agreements implemented through transnational corporations.

There is a certain dependence between the strengthening of international agreements concluded with the place of permanent residence of a person and the free movement of persons within the customs borders of a country, which leads to the equalization of prices for goods and services. As a result of the intensification of financial investments and trade agreements, national inter-city borders are losing their usual significance. The only thing holding back this growth at external borders is differences in this area. As Rosow [8] points out, integration brings up “national” and “international” aspects that are actually totally interchangeable.

The process of state management of liberalization concerns direct policy of regulatory and legal regulation, along with liberal active doctrines that are significantly related to new economic challenges. According to Makedon et al. [9], Bondarenko et al. [10], liberalization is the result of state regulation closely linked to the activities of non-governmental economic organizations that adapt to technological progress and innovation. However, customs relations, tax incentives for the economy, investment promotion programs, and freedom management remain in the hands of supranational self-governing bodies of the participating countries [4].

The next stage of the globalization process is convergence, which involves attempts by different states to bring their economic systems closer together (everything must be brought together) [11]. This process is actively stimulated by growing modern means and methods, leading to the formation of new modern means of communication, transport, digital communications, etc.

Stereotypical perceptions and physical boundaries between countries are beginning to disappear, forming a new global reality in which the world is perceived as an interconnected system functioning synchronously. This is clearly confirmed by comprehensive statistical data: in 2023, 5.44 billion people (68% of the world's population) used mobile phones, 5.16 billion users (64.4%) had access to the Internet, and 4.76 billion people (60%) actively used social networks [12].

International transnational corporations (TNCs), which standardize goods and services, influence the formation of a single global economic system. Their existence and activities illustrate that globalization is largely achieved through subsidiaries and branches, the gates between which are open thanks to fast modern information and communication technologies. TNCs not only standardize global markets, but also actively integrate economic models.

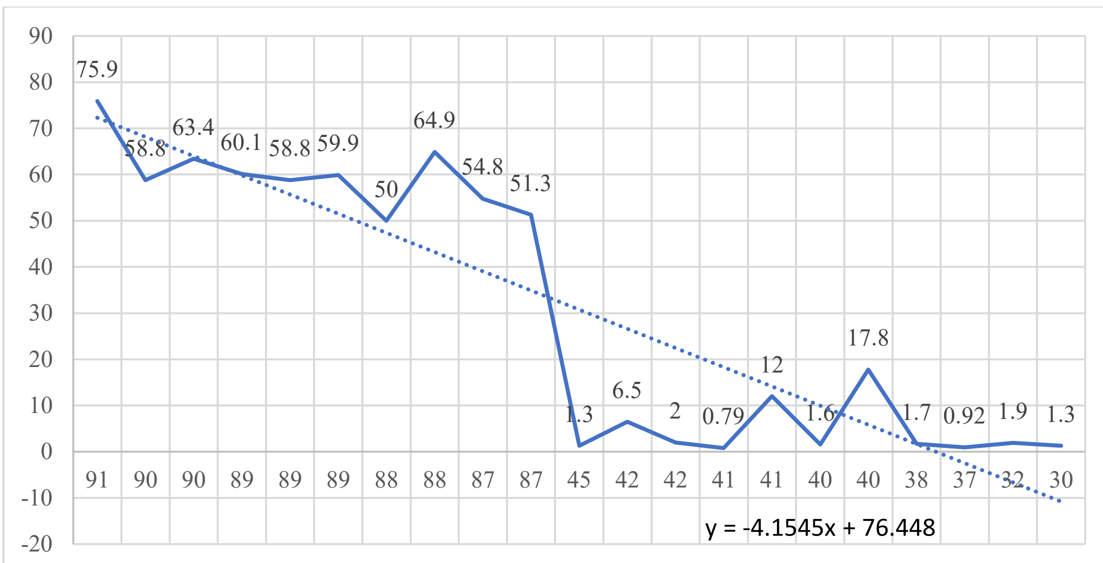
Today, there is no generally accepted definition of economic development criteria in the discourse of international economics. At the same time, according to the World Bank [13], a country's economic development is usually measured by at least the following important indicators: GDP per capita, transport infrastructure, key macroeconomic indicators (inflation, unemployment, investment, public debt, etc.), as well as social indicators such as education, housing, social services, and demographic statistics (birth and death rates) [14].

In the study, it is used the KOF Globalisation Index, administered by the Swiss Economic Institute KOF, as a well-known tool for assessing the impact of globalization processes on a country's economic development. The index consists of three sub-indices: economic, political, and social [14]. For assessment purposes, both the composite index (KOF GI) and the economic component (KOF EG) are used together with GDP (PPP) per capita in US dollars based on World Bank data [15].

Correlation analysis confirms the existence of higher economic activity and greater globalization within a single country, expressed as a percentage, than GDP (PPP) per capita, where the KOF index value is highest. The significance of this indicator, 0.975976, indicates that globalization as such contributes to the economic growth of national economies (Figure 1).

Figure 1: Correlation between the KOF Globalisation Index and GDP (PPP) per capita

Source: KOF Globalization Index [14], GDP per capita, PPP [15]



There is a fairly strong correlation between economic globalization (KOF EG) and GDP (PPP) per capita. As the calculations show, Pearson's correlation coefficient is 0.4989575, indicating a moderate correlation. This once again demonstrates how complex and multifaceted the processes of globalization are, encompassing not only economic but also political, socio-cultural, and other aspects of social development (Figure 2).

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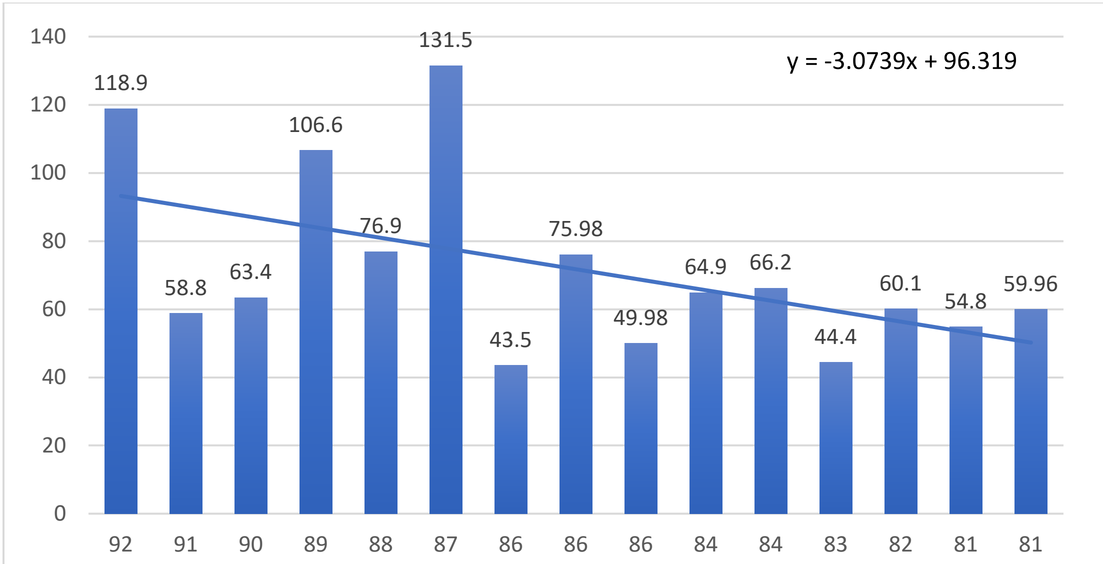
Figure 2: Correlation between the KOF economic indicator and GDP (PPP) per capita

Source: KOF Globalisation Index [14], GDP per capita, PPP [15]



The 2008 financial crisis in the US clearly showed how vulnerable European countries are to global financial processes. At first, it hit European economies, and then it caused debt problems on the edge of the eurozone, especially in Greece and Ireland. As the example of Greece shows, in just a few years, public debt almost doubled, rising from 97.4% to 181% of GDP.

Continuing this line of thought, serious financial turmoil also affected East Asian countries. In particular, Taiwan's stock markets lost 38.5% of their value, and the Korean won fell by 19.2% against the US dollar. Although recent government actions have undoubtedly significantly increased the price of the social balance of payments and led to the crisis, other domestic economic factors have played an important role. In the case of Greece, there is no single correct solution, but the main mitigating factor was the burden of social payments on the deficit budget [16].

In this regard, the example of Ireland comes to mind, where a higher degree of integration into the global economy is still observed today. Thanks to its openness to foreign investment and its skilled workforce, it managed to secure the largest share of new jobs, accounting for around 70%. However, as a result of foreign-financed management, the destruction of foreign capital triggered a deep banking crisis following the mortgage collapse. Ultimately, this led to Ireland's public debt reaching 120% and then 76% of GDP per capita during the period 2011–2015, against a backdrop of a higher economic globalisation index. One of the notable factors observed in Greece until 2023 was a hint of debt relief. The restoration of a stable Greek financial system was facilitated by €289 billion from the European Union. In this regard, alternative conditions were proposed for compliance with Greek economic reforms, which were declared a priority requirement.

According to the experts considered, these are global processes, as part of the integration of countries into the world economy, which contribute to overall consolidation and a reduction in consumer price fluctuations. They optimize a more targeted level of inter-economic risk sharing among economic agents and structurally lead to the optimization of investment activity [17]. At the same time, for lending in a globalized environment, it is important to maintain optimal productivity and the functioning of financial, economic, political, and other institutions in the country. A country's key indicators determine its susceptibility to foreign investment and the impact of global crises [18].

Determining the level of corruption is one of the most important factors for doing business: foreign investors prefer countries with a higher business reputation index and no corruption, as it is easier to do business in such countries. Research confirms that most countries that top the KOF economic globalization ranking also rank high on the Corruption Perceptions Index (CPI) [19]. The only exceptions are the United Arab Emirates, Cyprus, and Malta, which do not make it into the top 20 due to lower corruption perception scores.

Socio-economic changes in the world cannot be separated from the influence of globalization. In developing countries, the number of people living in certain regions below the poverty line decreased from 42% in 1993 to 17% in 2011. Thanks to the international liberalization of the global market, Asian companies have already begun to actively compete with manufacturers from the G7 countries. According to a report by the International Monetary Fund, in

2023, the top five countries with the largest GDP were: the United States ($26.855 billion), China ($19.374 billion), Japan ($4.41 billion), Germany ($4.409 billion), and India ($3.737 billion). Thus, three of these countries are identified as representatives of Asia. It is also worth noting that China leads the world in exports, while Japan, South Korea, and Hong Kong are among the ten largest exporters [20].

Characteristic growth in GDP per capita (PPP) is observed in almost all Asian countries. The most active economic growth is demonstrated by Indonesia, Vietnam, the Philippines, and Bangladesh, which until recently, just two decades ago, was one of the countries experiencing failure. Annual GDP in these countries has grown from 5% to 7%, depending on the country (Indonesia, Bangladesh – 5%; Vietnam – 7%). Between 2005 and 2022, poverty levels fell from 40% to 18.7% in Bangladesh and from 16% to 9.5% in Indonesia. These achievements can be explained by globalization processes that have integrated these countries into the international trading system, modern technologies, and strengthened global trade interaction necessary for business [7].

Experts present an alternative point of view and note that in the near future, the Asian region will establish economic dominance, becoming a paradigm for other parts of the world. According to forecasts, Asia will account for half of global GDP by 2040. They also presented themselves. Taking these trends into account, Asian countries, particularly China, are actively advocating the further spread of globalization.

Discussion

One of the most controversial issues in globalization studies is the active positive and negative emphasis on the impact of globalization on the economic development of individual countries. Anti-globalists, for example, emphasize the negative consequences in certain countries caused by globalization processes. These primarily relate to the financial crisis of 2008–2009, the consequences of which had a major impact on countries that were actively integrated into the international economic and financial system. At that time, international cooperation mechanisms and international institutions designed to respond to crises actively helped to mitigate the threats arising from this crisis. Those with a higher level of globalization proved to be more resilient to the crisis and adapted more quickly to the new conditions.

To date, contemporary scientific discourse has focused on globalization as a rejection of American capitalism, which mainly benefits the countries of the Global South. However, new economic changes suggest the opposite: in politically and economically risk-averse Asian countries, globalization processes have rapidly improved their development, achieving significant competitive advantages. Today, four of the world's ten leading exporters are Asian countries, with China ahead of the US and ranking first in the world in terms of export volume [19]. This confirms that globalization expands opportunities for growth, and the result is always stable provided that national governments are well managed, which ultimately ensures a successful strategy.

The problems of growing social differentiation observed around the world are characteristic of both developed and developing economies. At first glance, there seems to be no clear correlation between the KOF Globalisation Index and the global inequality index [15]. However, research findings indicate that markers of high social stratification are observed in countries with medium levels of globalization (KOF threshold values of 50-60). Latin American countries are exceptions to this trend due to inadequate economic growth models [17, 21]. At the same time, the leading economically globalized countries of Singapore and Hong Kong continue to face social challenges.

Conclusions

The development of the world we live in is closely linked to globalization processes, which are inseparable from trade liberalization, as they reduce market barriers. This has a positive impact on the productivity of firms, which in turn increases competitiveness. By establishing representative offices in different parts of the world, transnational corporations create chains that connect different regions. One of the driving forces behind the economic rise of countries is the attraction of foreign capital. Leading economically developed countries reduced their investments by 37% in 2022, while other countries, on the contrary, experienced a 4% increase in investments. Another positive aspect of globalization is the reduction of corruption. Practice shows that countries with a higher level of globalization's influence on public affairs have lower levels of corruption. This is because investors avoid corrupt countries. In this case, as noted earlier, globalization processes can create opportunities for economic growth; however, such growth will be accompanied by certain challenges. For this reason, countries seeking economic advantages must act cautiously, as such policies should not only exploit the benefits of globalization but also seek to counteract its dangers. Initially, these countries should strive to create new horizons for improving infrastructure and technology. In addition, the social sphere in such countries, in particular education and training of globally competitive specialists in the region, is of paramount importance. All of the above measures will help eliminate the problems of elitism and unequal social legislation and mitigate economic crises. Thus, by effectively controlling external factors, states can develop their economies more securely.

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