

POLITICAL AND ECONOMIC GLOBALIZATION – SELECTED ISSUES OF GLOBALIZATION PROCESS

*Alexander Stepanov Annayarovich*¹,
*Tomasz Wołowiec*²

Summary

Political globalization is a process of making social and political relations international, as a result of which some authority is transferred from state institutions to international institutions. The political dimension of globalization is one of elements of this deep and dynamic system, consisting in: deepening international ties (internationalization), limiting state influence on economy and technological progress.

Keywords: globalization, international relations, economic globalization, political globalization.

Selected issues of economic globalization process

Globalization of the economy covers the processes of organizing and conducting production, exchange and flow of capital on a global scale and consists in treating the whole world as one market by economic entities³. The development of the economic globalization process is conditioned by the following factors⁴: development of technical means of communication;

¹ Prof. PhD, Head of the Department, Institute of Business Administration of the Moscow City Pedagogical University, Russia.

² PhD, University of Economics and Innovation in Lublin (WSEI), Poland; vice mayor of Krynica-Zdrój city.

³ B.Winiarski: „Polityka gospodarcza w obliczu procesów globalizacji. Perspektywy na pierwsze dziesięciolecie XXI wieku.” 3 edition. Warszawa: Wydawnictwo Naukowe PWN, 2006, p. 177.

⁴ See more: *Ibidem*, p. 178-189.

liberalization of international trade; reduction of barriers to goods and capital flow. Globalization of contemporary economy is a fact we are witnessing. It is growing and creating new challenges. The facts are confirmed by the statistics. The global trade and capital flows in the past decades have grown faster than global product. Also the value of direct foreign investment is growing as well as the scale and scope of activity of transnational corporations. There are approximately 78 thousand international companies in the world, 780 thousand dependent companies and 780 thousand daughter-companies. The sale turnover of these branches amounts to 19 trillion dollars, doubling the value of global trade⁵.

These are the phenomena accompanying the integration and liberalization of economies being part of global economic processes in the past decades. They accelerated at the beginning of the 1990s, after the collapse of the Iron Curtain dividing Europe, the opening of China, India and Latin America countries to the world. The countries and regions which had functioned outside the main course of the global economic system, became important as a result of globalization. Dynamic economic growth achieved by developing countries and increasing incomes of their inhabitants account for the increasing influence of these economies on the world economic situation. Now international trade is increasingly affected by them – the share of these countries (non-OECD) in total turnover increased from 25% at the beginning of the 1980s to 36.8% in 2006.⁶ Also the structure of trade is changing – technologically advanced goods often constitute the export offer. The scope of trade could be widened as a result of progress in communication and IT, which became available to less developed countries. Those countries, although they did not ‘produce’ new technologies, successfully implemented them – cheaper than developed countries.

Tightening relationships between economies, increased liberalization and integration of trade markets, de-regulation of capital flows, reduction – thanks to new possibilities offered by technology – of communication and transport costs, they all have changed the conditions of conducting a business activity. Global economy leads to global activity of enterprises. This is manifested in shifting production which is labor-consuming or services related to business processes to any place in the world. The location criteria may differ, but they are mostly related to the lowest manufacturing costs a company is seeking.

Globalization and accompanying it fierce competition in world markets accounts for the fact that the change of location of production processes may

⁵ Data on the basis of the report by Departament Analiz i Prognoz Ministerstwa Gospodarki, Warszawa, November 2007

⁶ *Ibidem*

be seen by an enterprise as a way of improving efficiency and effectiveness, strengthening its competitive position in the international environment. On the other hand, in developed countries, that is in EU countries and the USA, this evokes more or less justified fears related to maintaining current production and jobs. In the globalization era, developed countries which achieve comparative advantages in products demanding high input of knowledge and use of the state-of-the-art technology are facing an increasing pressure from several sources. First of all, a group of new trading superpowers has emerged, especially China, India and “Asian tigers”, which possess limitless resources of cheap labor. Secondly, the costs of conducting a trade exchange in international markets have lowered considerably. Finally, the capacities of transnational companies using their own branches or outlets located in foreign markets to achieve a better position in the hierarchy of added value have increased thanks to the possibilities of implementing sophisticated technologies and management systems.

International capital flow and financial markets

International trade has not been the only distribution “channel” of economic globalization processes. Along with dynamic transborder investment activity of corporations, the role of foreign direct investment (FDI) has grown. Global rationalization of production and development of foreign markets stimulate multinational companies to expand their external activity. Such activity is encouraged by the size and development prospects of Asian countries and favorable global economic situation. Foreign direct investment made mostly by large transnational corporations are a vital element of globalization processes. Especially for the past several years we have been observing significantly increased inflow of FDI globally, also to developing countries. Huge international corporations investing abroad provide their host country with capital, technology and access to markets. For them, on the other hand, such investment is the main factor increasing their competitiveness in global markets. Good economic situation in the world economy and high profits of international corporations are conducive to foreign investment. We should also emphasize that increased inflow of foreign direct investment is greatly generated through investment in shares, loans and credits offered within the corporation, carried out between member states. There is some kind of regularity observed recently, typical for developed countries – more than half of investment is carried out between those countries. This visible trend is also driven by companies’ high profits, economic climate and search for new strategic investment abroad. Investors

currently pay special attention to investment in raw materials, especially to search for energy resources fields. The past few years have seen a characteristic feature of foreign direct investment flows, namely an increasing share of services (telecommunication, computer, IT, etc.) at the cost of the manufacturing industry. On average, in the past few years direct investment in the service sector has been nearly three times higher than production investment. They often result from the necessity to ensure proper functioning of companies on a given market, but they are increasingly related to seeking ways of increasing efficiency, which drives the global rationalization of generating services. This is particularly visible in case of computer and IT services and IT services backing up business processes.

As a process, globalization is continually changing the architecture of contemporary financial markets in time and space. The development of telecommunication techniques makes the solutions used so far obsolete. New, more liberal functional solutions are being introduced, aiming at providing wide access to financial markets. Therefore, financial systems of particular national economies are being liberalized in order to increase freedom of capital allocation. In order to define the concept of a financial market we should assume that it is a network of institutions and instruments and financial markets and regulators used to build trust between exporters and importers of capital and to allocate the financial surplus in a way that ensures its integrity⁷.

Globalization of financial markets refers to increased global connections as a result of intensifying transborder financial streams⁸ and should be understood as free flow of capital, covering regional and international financial markets, with its participants on the supply and demand side having national, regional and international range. Globalization of international markets creates a global financial market, a market in which demand for and supply of national and international money, foreign currencies and capital in various forms meet, at various times and volumes expressed in national, international currency, or a currency used by a group of countries or in e-currency. This market generates the development of international trade, allows financial operations, but is also a place of numerous financial speculations and, as a result, turbulence in the world of finance. This instability can be boiled down to globalization of financial markets. Therefore, analyzing and evaluating the current globalization of financial markets we should take a close look at its benefits and drawbacks – especially as they are interconnected, interpenetrated and should always be analyzed jointly.

⁷ J.K. Solarz., „Międzynarodowy System Finansowy. Analiza instytucjonalno-porównawcza” p. 9, Wydawnictwo Menedżera i Bankowca, Warszawa, 2001

⁸ A. Borcuch, „Globalny system finansowy”, p. 29, CeDeWu, Warszawa, 2009.

Its positive aspects for the whole global economy are:

- optimizing allocation of resources and improving management conditions,
- improved efficiency of markets by their internationalization and competitiveness,
- increased number of derivatives protecting against financial risk,
- diversification of financial risk,
- emergence of new financial instruments and services.

The negative aspects of financial markets globalization are:

- “the carry-over effect” – disturbance on one national market is quickly carried over to other markets,
- the scale of international capital flows and the ease of reversing this trend,
- the possibility of increasing – as a result of the ease of obtaining finance – imbalance in global economy – to the size which may in future be dangerous for the stability of economy⁹.

The most dangerous aspect of financial markets globalization is the carry-over effect, which brings destabilization and, as a result, lack of safety of financial markets. Potential destabilizing factors are carried over via: international trade, herd behavior of investors, global diversification of investment portfolio and foreign direct investment. These factors go further, transferring instability to the financial market and making it unstable. It is worth analyzing the problem of herd behavior shown by investors. At the moment of any disturbance in a given national economy – depending on the size of such disturbance – they either freeze investment or withdraw their capital. As we have already mentioned, the influence of financial market globalization on the global financial market is direct. The stability of this market depends on the stability of globalization processes.

The most significant consequences of the instability of these processes in financial markets are: escalation of the ‘infection’ phenomenon between financial institutions and markets locally and internationally, increased short-term capital in form of short-term and portfolio capital flows and intensified destruction and imperfection of the global financial market¹⁰.

A financial system is stable if institutions and organizations constituting it can effectively prevent disturbances in the system of settlements and financial brokerage and prevent negative consequences brought about by the financial crisis. The contemporary global financial system did not show such features during the last financial and economic crisis. Various deficiencies

⁹ *Ibidem*, p. 33.

¹⁰ *Ibidem*, p. 34

and defects as well as mistakes in the way the system operated caused its instability – and as a result brought about the financial crisis whose consequences can still be felt. It was, most of all, huge and continuous growth of financial turnover in the global scale in conditions of confidentiality and lack of transparency that led to the collapse. The operations of many high risk investment and hedging funds were not subjected to sufficiently precise (in fact – to any) control. Obviously, the imbalance of the world financial system had deep historical and structural sources. Therefore we can venture to say that “... the basis of the current financial crisis is formed by imperfections of the whole system of liberal market economy and minimum supervision over financial markets”¹¹. The lack of reaction from supervisory boards of particular markets showed financial institutions that they were free to act in any way they wanted, which naturally led to the loss of common sense and hunt for profits. If the Federal Reserve and SEC (Securities and Exchange Commission – departament responsible for compliance with the law) had used the existing regulations limiting risk, negative effects would be incomparably lower. The procedures aimed at providing balance between general principles of free market and supervision of secure financial turnover were not used¹².

The contemporary global financial system has such crisis factors embedded in its architecture as:

- high external imbalances, which caused quick growth of foreign debt and serious dependence on foreign capital,
- outflow of capital and depreciation of national currencies,
- too easy access of economic entities and households to loans,
- lack of so dynamic growth of home deposits in a situation when credit action was so rapid,
- problems with liquidity of international financial institutions in a situation when aversion to risk grew,
- limiting the size of granted loans – which dramatically weakened internal demand.

A vital factor describing the global financial market is strong ties developed between contemporary financial institutions. They form a complex network in which everyone is both a creditor and a debtor and only sometimes a *market maker*. The markets in which the biggest financial institutions

¹¹ P. Małecki, P. Stanek., „Gospodarka światowa wobec kryzysu globalnego, [in:] Gospodarka światowa w warunkach globalizacji i regionalizacji rynków”, Difin Warszawa, 2009, p. 77

¹² S. Miklaszewski, A. Garlińska-Bielawska, J. Pera, „Natura i różnorodność przebiegu światowego kryzysu gospodarczego”, Difin, Warszawa, 2011, p.20.

are involved are disorganized (*over-the-counter*, OTC), which, among other things, means low transparency and lack of a central agency settling the transactions (no possibility of clearing) and lower level of supervision and regulations. The degree of this complexity was greatly increased as a result of financial innovations of the past years and the application of new financial instruments allowing risk transfer. Globalization of financial markets is a part of a larger phenomenon – globalization of national economies. The process of financial market globalization started after the collapse of the Breton Woods currency system.

Benefits and costs of economic globalization.

Globalization evokes totally divergent feelings and opinions. As a process inevitably shaping the world as a global village, it favors uniform ways of management and strengthens homogenous tastes of consumers all over the world¹³. A vital problem is how to evaluate the influence of globalization on the degree of poverty and to evaluate whether disproportions and poverty decrease or increase. Globalization opponents believe that the globalization process made the poor the poorer and the rich the richer; the number of poor countries and people has not changed significantly. On the other hand, we can say that recent years of global economy have unquestionably benefited various aspects of life. It would be better if rich countries allocated 200 billion dollars a year for poverty reduction instead of spending over 1 trillion dollars per year on wars and arms¹⁴. Globalization may contribute to the deterioration or the improvement of the situation of the poorest households depending on the economic policy of a country. Taking specific actions by governments, such as improving access to loans, providing appropriate social security for those in need or increasing mobility, would result in improvements in the situation of the poorest people. Highly developed countries, interested in gaining access to cheap natural or labor resources, run a selective migration policy, protecting their markets against huge immigration of work resources from developing countries and creating customs barriers to cheap food which usually constitutes the primary

¹³ B. Stępień, „Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych”, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009, p. 141.

¹⁴ E. Wysocka, „Globalizacja – błogosławieństwo czy przekleństwo, [in:] Ekonomiczne aspekty procesu globalizacji”, E. Wysocka (editor), Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009, pp. 17-20

source of exports and incomes of the poor countries¹⁵. The development in the interest of international corporations, not societies, is undoubtedly a fault of globalization. These days, countries with highly-qualified labor, outstanding skills in organization and management and high level of knowledge are awarded. Such globalization forces poorer countries to sell their natural resources cheaper, slows down their technological development, and worsens the country's economic situation¹⁶.

The advantages derived from globalization in the economic sphere are:

- improved quality of goods and services,
- lower costs of communication and production,
- increasing the living standards (in developed countries),
- economic growth,
- new jobs – new professions,
- stimulating exports,
- access to modern technologies and information,
- inflow of foreign capital,
- transfer of capital to poorly developing economies.

The losses generated by economic globalization are:

- uncontrolled privatization of public sector and public sphere,
- privatization of social problems,
- growing distance between particular segments of labor market,
- concentration of power around economic superpowers,
- quick spread of crises in integrated markets,
- increased unemployment (people with low qualifications),
- increasingly fierce competitiveness,
- destruction of domestic industry in countries accepting foreign capital,
- deepening social and economic disproportions.

Political globalization

Political globalization is a process of making social and political relations international, as a result of which some authority is transferred from state institutions to international institutions. The political dimension of globalization is one of elements of this deep and dynamic system, consisting in: deepening international ties (internationalization), limiting state

¹⁵ T. Pakulska, M. Poniatowska-Jaksch, *Korporacje transnarodowe a globalne pozyskiwanie zasobów*, Wydawnictwo Oficyna, Warszawa 2009, p.26

¹⁶ J.W. Bossak, „Systemy gospodarcze a globalna konkurencja”, Wydawnictwo Szkoła Główna Handlowa, Warszawa 2006, pp. 41-42

influence on economy and technological progress. One of the main threats in the globalization process is related to the limitations to the functions and role of the country itself. Decision mechanisms which were effective in the 20th century are becoming insufficient in the 21st century and it is necessary to develop other models of taking decisions in matters related to global economy. The global political stage has been invaded by new actors, who secured some state prerogatives, such as: international economic and social groups (European Union), supra-national organization (WTO), transnational concerns, non-governmental organizations (Greenpeace)¹⁷.

Subject literature describes this as ‘upward’ power delegation. Simultaneously, the country has delegated some of its prerogatives ‘downward’ to its subordinate regions, organizations and various institutions. As a result, the scope of the state power has been limited. Also the influence of the state on its subordinate social and economic space, realized through traditional tools of exchange rate, monetary, fiscal, industrial and social policies has been significantly limited in the past years¹⁸. The exchange rate policy is difficult when a state operates in an open economy – it is sometimes even threatened by huge capital flows, especially short-term and speculative ones. They may cause unexpected and strong changes of currency rates, unfavorable for domestic producers or exporters, as well as for foreign direct investment. There might also be difficulties in having good balance of payments, turbulences in stock exchange, inflation pressure, etc.

Monetary policy is also increasingly conditioned internationally and by markets. The interest rate determined by domestic central banks is of lesser importance as economies of particular countries become more integrated. Thus monetary policy decisions become increasingly complex and their effects are more difficult to predict and less certain.

Fiscal policy is more difficult to implement along the traditional principle of territoriality, due to increasing opening of economies and intense international flows (of goods, services, capital and population). The number of economic entities and individuals for whom it is difficult to determine where their tax obligations appear is growing. Thus fiscal policy of a state causes effects abroad and state activities are at the same time limited by other governments’ policies.

¹⁷ See more: I.A. Stiepanov, Сб. научных трудов «Проблемы экономического и социального развития общества на пороге XXI века».- М.: «Агри-Пресс», 2000; I.A. Stiepanov, Коэволюционный путь развития мировой экономики Список трудов, к.э.н. Степанова Ильи Александровича, Человеческий капитал. 2010 and I.A. Stiepanov, Актуальные проблемы формирования и развития инновационной экономики РФ. Кол. Монография, М.: АМА-ПРЕСС, 2010.

¹⁸ S. Flejterski, P. Wahl, „Ekonomia globalna. Synteza”, Difin, Warszawa 2003, pp. 36-37

Industrial policy consisting in supporting selected industry sectors by the state has lost its economic sense in the era of globalization. Industrial policy now has to reflect the significance and activity of transnational corporations in strategic industries and therefore it has to be complex, sophisticated and differentiated.

The presented influence of globalization on economic policy in some selected areas shows that significant changes of principles, conditions and mechanisms in which the state affects the economy are taking place. As a result this influence is becoming less autonomous and less effective¹⁹. Globalization undoubtedly brings contradictions between the global market and the state. We are witnessing globalization of economy, but there is no 'global government' which could perform functions that are necessary in a normal activity of a state (neutralizing market weaknesses, limiting differences in income and living standards, counteracting destruction of the environment, counteracting monopoly practices, etc.).

A new outlook on the state role in globalization era must also reflect modified – adjusted to 'new economy' challenges – new policy. It must be expressed in different ways of coordinating activities and in creating new international institutional governance. Super-national organs may become centers of macro-economic policy or its elements. This means that governments of particular countries transfer some of their decision competencies in economic policy to joint organs of integrated systems in which these governments are represented. This concerns ecology, as many threats related to natural environment are transnational. Also defence against financial crises calls for creation of a new international financial system, just like the spread of terrorism requires global cooperation²⁰.

We are living in times when globalization has led to the collapse of the global order based on the pillar of a national state, but the new order, the new coherent form in which the world system could function has not been created yet. The game has started in which old rules are becoming obsolete while new ones still wait for development and implementation. W. Szymański aptly evaluates this situation writing: 'we are living in global temporary arrangements, incoherent and transitory. The behavior of global economy participants may be compared to the play of actors who mixed up their roles. Some play roles from an old play, others from a new one and they find it impossible to agree'.²¹

¹⁹ A. Zorska, „Ewolucja państwa...” op. cit., p. 270.

²⁰ Z. Sadowski, „Transformacja i rozwój”, PTE, Warszawa 2005, pp. 328-330

²¹ W. Szymański, „Czy globalizacja musi być irracjonalna?”, SGH, Warszawa 2007, p. 69

We may venture to state that globalization has introduced new elements into politics, changing its shape and forcing national states to review their current methods. Globalization is accompanied by centralization of decision-making in global matters in state and non-state centers. Globalization is a problem of scale in a sense that only those who can act globally – in financial, economic, political or military dimension – may take decisions that are significant globally. Sometimes globalization is identified with Americanization. This is argued by Zbigniew Brzezinski, for whom ‘global power hierarchy is clearly vertical, with the US undisputably at the top’. Jean-Marie Guehenno is of similar opinion: ‘The power of America is the guarantee of international order in globalization era, therefore globalization is perceived as synonymous to Americanization’. The dominance of the US is clear in the sphere of finance, world trade, cyberspace, transnational corporations, international security. At the same time scientists point at numerous cases when the US avoid international rules that they try to force other countries to accept.

Globalization understood as centralization (or concentration) of international power decreases the level of democracy of international life. The participation of most countries in deciding on the most important international matters declines, the same refers to matters of vital significance to those countries.

The growth of undemocratic international relations is visible:

- in the sphere of international security, in which there is a growing gap between potential and abilities and responsibility of particular states for maintaining regional and global stability and security,
- in international finance, where a majority of states have limited and decreasing influence on international institutions determining parameters of global finance,
- in appearance of *transnational governance system*, sometimes referred to as *global governance*
- in increasing percentage of people who live in absolute poverty, making them dependent on developed countries, which does not allow poorly developed countries to participate in taking important international decisions.

International community polarization

Globalization processes are a source of international community polarization. The division line generated by globalization differs from the lines that have determined the structure of international reality so far. It is a divi-

sion line between the richer and a growing number of the poorer. The line separates not only countries and regions, but also divides the societies of particular countries. Globalization processes also evoke the need of references and structures between the entities such as nation, society or state on one hand and everything which is global on the other. What is global seems to be abstract, distant and alien, therefore human communities need to rely on smaller, more 'specific' reference systems. This mostly refers to regional and subregional groups, within which a country feels 'at home'. Local structures are created along political and economic criteria as well as along religious, cultural, civilization or historical criteria. When confronting an alien and threatening structure, such familiar structures preserving identity and diversity are highly valued.

Globalization also brings about increased opportunities for activities and significance of non-governmental participants of international relations. They gain global scope for their activity. This refers not only to classic NGOs, but even more to transnational corporations as well as ecological movements, media or organizations representing interests of labor groups. The consequences of globalization are wide and diverse both for the international governance and for the main participants of international relations – states and societies and nations comprising them. Their analyses and interpretations are not only a subject of hot debates between specialists, but also become arguments in a political discourse and the reason why those who perceive globalization as a threat to their interests or identity demonstrate.

We should point at three major implications of globalization on foreign policy of a country, namely:

- Erosion (or transformation) of sovereignty. This phenomenon concerns basic spheres of a state: politics, security, economy, finance, information, public opinion (shaping public awareness), human rights, etc. The state (in a democratic country – its society) loses control over its potential, its instruments of economic, social and defence policies. The country's autonomy is restricted both internally and externally and it no longer makes sense to talk of its formal and legal sovereignty. A phenomenon of sovereignty deterritorialization appears. It is related to the activity of transnational corporations and the existence of electronic and information space. The headquarters of major global corporations, loan and insurance institutions, companies generating information and steering its flow (especially via the internet – CNN, American Online) are in the territory of a few highly developed countries.
- Erosion of democracy foundations. As a result of economy and politics globalization we can observe an increasing role of transnational and international corporations, the fate of particular countries, sectors

of economy and the whole spheres is not determined only by mature decisions taken by politicians and administrators. In a globalization era politics is becoming increasingly blurred and difficult to understand by public opinion. Decision-making is shifted into the hands of managers, professional politicians and administrators. According to sociologists, in this way civil society is shrinking and its influence is limited to local matters. It is worth paying attention to two phenomena related to globalization which carry some threat to democracy. Social communication is dominated by big media, which represent the point of view and interests of narrow groups of people from the world of politics and finance. The media do not reflect the voice of the society but try to shape it or to present themselves as 'public opinion'. The voice of citizens, smaller groups which in total constitute the majority of the society, is hardly audible and is not taken into account in decision-taking procedures of a democratic country.

An even greater threat to democracy lies in transferring vital decisions concerning the majority of society or its whole sectors from the political to the economic sphere. Globalization enthusiasts demand such solutions which would ensure primacy of economics (capital) over politics.

- Blurred difference between what is foreign and what is domestic in state policy, that is between foreign policy and internal policy. Foreign policy is becoming a policy towards own society, various actors of the country's internal life. This stems from the continuous necessity to take internal actions adjusted to external development tendencies and, consequently, constant dialogue and negotiations of the scope and pace of these adjustments with internal partners. Although this phenomenon is a result of the internationalization of the processes of society development, globalization undoubtedly forces quicker pace of these changes and blurs the differences between the internal and external spheres of the country's policies.

The entering of international relations and foreign policy of a state into the globalization era surprisingly coincided with the return of geopolitics, that is politics based on geographical determinism. Here are a few definitions of geopolitics as a science: Karl Kaushofer, the main persona of German geopolitics, defines it as 'the science of spatial determination of political processes', or 'the essence of politics'. Rudolf Kjellen called it 'the science of state as a geographical organism'. Encyclopedias define geopolitics as a science of how geography principles are applied to world politics or examining relations between geographical features of a state and its politics. The main representative of the geopolitical school, Yves Lacoste, believes

that 'it is not about science or search for its rules, but the ability to think in terms of space and conflicts taking place on this space'. P. Lorot claims that geopolitics is 'a specific method allowing to discover and analyze conflict phenomena and strategies focusing on possessing a given territory'.

However, social development and changes to political systems, evolution of international systems and situations – often interpreted in geopolitical categories – are all determined by other, non-geographical factors. They comprise, in various proportions typical of particular periods and systems, broadly understood civilization, political constitution, economy, technology (whose development accounts for the shrinking space and distance). Modern means of identification, communication and transfer decrease the significance of geography and natural environment as the physical foundation of the strategy. Thanks to technology, area and space are no longer an indispensable sign of power as in the past. Area is no longer valid for economic development, while space, including natural borders, is not important for the security of a country. Technology beats space and crosses borders. The above-mentioned non-geographical factors also include finance, demography, ideas and values, ideologies, outcomes of wars or other shocks, as well as law and international institutions. The factor that limits geopolitical thinking and acting is the development of law and international institutions, that is the process of institutionalization. This mainly refers to adding to international relations law and practice such principles as territorial integrity and inviolability of borders, which were not used in times of geopolitics bloom, as well as limitations to the use of power (principles forbidding the use of power, disarmament agreements and transparency) in relations between countries. In this context, the development of law in its internal dimension, especially the development of democracy (democratic institutions) is of vital importance. Democracy makes references to power in foreign policy of a (democratic) state more difficult.

In their politics, countries apply the principles of defense and supporting national interest, namely security, sovereignty (as far as the autonomy of decision-making is concerned), economic growth, influence or prestige. Globalization does not abolish the principle of sovereignty, although it does change the conditions in which it is practiced; it does not diminish the importance of states as basic participants of international relations, but it introduces new and more powerful actors on the stage; it does not make governments less needed (although it makes it difficult for them to hold some policies), but it forces them to creatively seek new instruments assuring effectiveness where they are irreplaceable. However, globalization processes generate problems which must be dealt with only and exclusively by governments.

The scope of external relations of a state realized not through traditional foreign policy structures (headquarters, outposts), staff, etc., but through government agencies or non-government entities has considerably increased. Also the scope of internal and foreign matters subjected to multilateral regulations is growing rapidly. Such regulations are arranged, agreed and implemented by multilateral institutions, regimes, mechanisms and procedures. This requires greater involvement of diplomacy and other agencies participating in foreign policy (ranging from finance to labor and social policy) in conference diplomacy. Governments must allocate more resources to it, prepare more appropriate staff with specific skills required in multilateral diplomacy. Participation in multilateral global diplomacy requires long-term and extensive preparation to proper negotiation, as well as seeking and gaining allies, forming *ad hoc* coalitions, finding areas of compromise which consist of extremely complex bundles of concessions and benefits so that the final outcome is favorable to a given state. It is also necessary to incorporate non-governmental organizations into foreign policy in a conscious way. NGO's may facilitate or hinder the state's foreign policy and make it more difficult to achieve its goals. We should be aware that NGO's interests may be divergent or convergent with the government's interests and foreign policy. It happens that governments which, for some reason, cannot take some external actions, use non-governmental organizations (for example in the sphere of human rights or environment protection; there are some known cases of non-governmental organizations acting as commissioned by governments).

The importance of public and social diplomacy is growing. In the first case (public relations) this refers to the promotion of a country abroad, creation of its favorable international image. Opinion is mostly built by huge international media which, as governments or transnational corporations, run their own policy, thus they are not objective. They represent someone's interests, some pressure groups or political orientations. There are many possibilities of creating a positive image of a country internationally, using large media: from publishing special inserts in magazines and newspapers with large circulation, purchasing space to publish an article written by a minister or the president, to organizing huge international conferences which will interest the media and provoke their favorable comments. In order to achieve a vital goal of their foreign policy, governments often hire public relations companies. This is done especially when it is important to convince not only governments of other countries but also public opinion, which practically boils down convincing parliaments competent to ratify international treaties.

We may state that social diplomacy is the reverse side of public diplomacy. It consists in convincing own society and assuring its support in mat-

ters of strategic significance to the state, in which society (public opinion), due to lack of interest or disinformation or propaganda campaigns of other political forces, may not have any opinion or may have an opposite opinion. We are witnessing the establishment of departments of promotion, information and cultural diplomacy, whose task is to affect both social awareness (public opinion) in their home country as well as the so-called international public opinion. Jean-Marie Guehenno even identifies foreign policy strategy in the globalization era with marketing. The scientist means constant marketing of our ideas, skillful influence and, if necessary, manipulating perception in order to ensure support and activate sources. Those who master this art and control the media, will thus gain strategic advantage.

Globalization processes have activated the system of applying strategy in foreign policy. Efforts are being made aimed at better understanding conditions in which we must operate strategically and methods which can and should be used in these new conditions. J.M. Guehenno wrote that ‘an effective strategy of a globalization age requires different, sometimes nearly contradictory skills: adequate understanding of the world we are leaving and the world we are entering; leadership talent combined with opportunistic feeling of adaptation to the situation in which power is dispersed; the ability to focus power and to make serious decisions quickly, making sure that most of them should be taken gradually and in a decentralized way; and finally, the ability to calculate coldly the the relationship of power and universal moral intuition’.

Conclusions

In conclusion, we may add that foreign policy is helpless towards globalization processes, as they mostly pass it by. The task of maintaining country sovereignty, its subjectivity, modern (expressed in democratic procedures) rights of a country to self-determination, to preserve its identity, cannot be limited to foreign and defence policies in any country these days. To face globalization sensibly is a task for the whole society, the whole country. The problem of sovereignty is no longer boiled down to international law. It is commonly believed that sovereignty is the control over the fate and future of the society, over the conditions and direction of its development. This game is played on various levels, in various areas and places simultaneously. Therefore it requires involving various social powers and factors as well as many dimensions of a state policy – from education and taxes to purely foreign policy. The stakes are high. Once again we should quote, as some kind of warning, the remark made by Lester Thurow: the place of

a country in global reality ‘depends on who you are. For one group global economy is the best thing ever , for another group – the worst one’.

Advantages derived from globalization of the political sphere:

- gradual disappearance of barriers to international cooperation,
- democracy and linearity of the global system,
- gradual universalization of human rights,
- growing institutionalization and formalization of international relations,
- attempts at regional integration,
- power dispersion.

Costs of globalization of the political sphere:

- limitation of country sovereignty,
- declining significance of international political organizations,
- declining role of national governments,
- crisis of international institutions,
- declining level of democracy internationally,
- disappointment and loss of trust in institutions,
- globalization of social problems and pathologies.

Subject literature describes this as ‘upward’ power delegation. Simultaneously, the country has delegated some of its prerogatives ‘downward’ to its subordinate regions, organizations and various institutions. As a result, the scope of the state power has been limited. Also the influence of the state on its subordinate social and economic space, realized through traditional tools of exchange rate, monetary, fiscal, industrial and social policies has been significantly limited in the past years²². The exchange rate policy is difficult when a state operates in an open economy – it is sometimes even threatened by huge capital flows, especially short-term and speculative ones. They may cause unexpected and strong changes of currency rates, unfavorable for domestic producers or exporters, as well as for foreign direct investment. There might also be difficulties in having good balance of payments, turbulences in stock exchange, inflation pressure, etc. Monetary policy is also increasingly conditioned internationally and by markets. The interest rate determined by domestic central banks is of lesser importance as economies of particular countries become more integrated. Thus monetary policy decisions become increasingly complex and their effects are more difficult to predict and less certain.

Fiscal policy is more difficult to implement along the traditional principle of territoriality, due to increasing opening of economies and intense international flows (of goods, services, capital and population). The number

²² S. Flejterski, P. Wahl, „Ekonomia globalna. Synteza”, Difin, Warszawa 2003, pp. 36-37.

of economic entities and individuals for whom it is difficult to determine where their tax obligations appear is growing. Thus fiscal policy of a state causes effects abroad and state activities are at the same time limited by other governments' policies.

Industrial policy consisting in supporting selected industry sectors by the state has lost its economic sense in the era of globalization. Industrial policy now has to reflect the significance and activity of transnational corporations in strategic industries and therefore it has to be complex, sophisticated and differentiated. The presented influence of globalization on economic policy in some selected areas shows that significant changes of principles, conditions and mechanisms in which the state affects the economy are taking place. As a result this influence is becoming less autonomous and less effective²³. Globalization undoubtedly brings contradictions between the global market and the state. We are witnessing globalization of economy, but there is no 'global government' which could perform functions that are necessary in a normal activity of a state (neutralizing market weaknesses, limiting differences in income and living standards, counteracting destruction of the environment, counteracting monopoly practices, etc.).

A new outlook on the state role in globalization era must also reflect modified – adjusted to 'new economy' challenges – new policy. It must be expressed in different ways of coordinating activities and in creating new international institutional governance. Super-national organs may become centers of macro-economic policy or its elements. This means that governments of particular countries transfer some of their decision competencies in economic policy to joint organs of integrated systems in which these governments are represented. This concerns ecology, as many threats related to natural environment are transnational. Also defence against financial crises calls for creation of a new international financial system, just like the spread of terrorism requires global cooperation²⁴.

Globalization understood as centralization (or concentration) of international power decreases the level of democracy of international life. The participation of most countries in deciding on the most important international matters declines, the same refers to matters of vital significance to those countries.

The growth of undemocratic international relations is visible:

- in the sphere of international security, in which there is a growing gap between potential and abilities and responsibility of particular states for maintaining regional and global stability and security,

²³ A. Zorska, „Ewolucja państwa...” op.cit., p. 270.

²⁴ Z. Sadowski, „Transformacja i rozwój”, PTE, Warszawa 2005, pp. 328-330

- in international finance, where a majority of states have limited and decreasing influence on international institutions determining parameters of global finance,
- in appearance of *transnational governance system*, sometimes referred to as *global governance*
- in increasing percentage of people who live in absolute poverty, making them dependent on developed countries, which does not allow poorly developed countries to participate in taking important international decisions.

Globalization processes are a source of international community polarization. The division line generated by globalization differs from the lines that have determined the structure of international reality so far. It is a division line between the richer and a growing number of the poorer. The line separates not only countries and regions, but also divides the societies of particular countries. Globalization processes also evoke the need of references and structures between the entities such as nation, society or state on one hand and everything which is global on the other. What is global seems to be abstract, distant and alien, therefore human communities need to rely on smaller, more 'specific' reference systems. This mostly refers to regional and subregional groups, within which a country feels 'at home'. Local structures are created along political and economic criteria as well as along religious, cultural, civilization or historical criteria. When confronting an alien and threatening structure, such familiar structures preserving identity and diversity are highly valued. We should point at three major implications of globalization on foreign policy of a country, namely:

- Erosion (or transformation) of sovereignty. This phenomenon concerns basic spheres of a state: politics, security, economy, finance, information, public opinion (shaping public awareness), human rights, etc. The state (in a democratic country – its society) loses control over its potential, its instruments of economic, social and defence policies. The country's autonomy is restricted both internally and externally and it no longer makes sense to talk of its formal and legal sovereignty. A phenomenon of sovereignty deterritorialization appears. It is related to the activity of transnational corporations and the existence of electronic and information space. The headquarters of major global corporations, loan and insurance institutions, companies generating information and steering its flow (especially via the internet – CNN, American Online) are in the territory of a few highly developed countries.
- Erosion of democracy foundations. As a result of economy and politics globalization we can observe an increasing role of transnational

and international corporations, the fate of particular countries, sectors of economy and the whole spheres is not determined only by mature decisions taken by politicians and administrators. In a globalization era politics is becoming increasingly blurred and difficult to understand by public opinion. Decision-making is shifted into the hands of managers, professional politicians and administrators. According to sociologists, in this way civil society is shrinking and its influence is limited to local matters. It is worth paying attention to two phenomena related to globalization which carry some threat to democracy. Social communication is dominated by big media, which represent the point of view and interests of narrow groups of people from the world of politics and finance. The media do not reflect the voice of the society but try to shape it or to present themselves as ‘public opinion’.

- Blurred difference between what is foreign and what is domestic in state policy, that is between foreign policy and internal policy. Foreign policy is becoming a policy towards own society, various actors of the country’s internal life. This stems from the continuous necessity to take internal actions adjusted to external development tendencies and, consequently, constant dialogue and negotiations of the scope and pace of these adjustments with internal partners. Although this phenomenon is a result of the internationalization of the processes of society development, globalization undoubtedly forces quicker pace of these changes and blurs the differences between the internal and external spheres of the country’s policies.

The entering of international relations and foreign policy of a state into the globalization era surprisingly coincided with the return of geopolitics, that is politics based on geographical determinism. Here are a few definitions of geopolitics as a science: Karl Kaushofer, the main persona of German geopolitics, defines it as ‘the science of spatial determination of political processes’, or ‘the essence of politics’. Rudolf Kjellen called it ‘the science of state as a geographical organism’. Encyclopedias define geopolitics as a science of how geography principles are applied to world politics or examining relations between geographical features of a state and its politics. The main representative of the geopolitical school, Yves Lacoste, believes that ‘it is not about science or search for its rules, but the ability to think in terms of space and conflicts taking place on this space’. P. Lorot claims that geopolitics is ‘a specific method allowing to discover and analyze conflict phenomena and strategies focusing on possessing a given territory’.

However, social development and changes to political systems, evolution of international systems and situations – often interpreted in geopolitical categories – are all determined by other, non-geographical factors. They

comprise, in various proportions typical of particular periods and systems, broadly understood civilization, political constitution, economy, technology (whose development accounts for the shrinking space and distance). Modern means of identification, communication and transfer decrease the significance of geography and natural environment as the physical foundation of the strategy. Thanks to technology, area and space are no longer an indispensable sign of power as in the past. Area is no longer valid for economic development, while space, including natural borders, is not important for the security of a country. Technology beats space and crosses borders. The above-mentioned non-geographical factors also include finance, demography, ideas and values, ideologies, outcomes of wars or other shocks, as well as law and international institutions. The factor that limits geopolitical thinking and acting is the development of law and international institutions, that is the process of institutionalization. This mainly refers to adding to international relations law and practice such principles as territorial integrity and inviolability of borders, which were not used in times of geopolitics bloom, as well as limitations to the use of power (principles forbidding the use of power, disarmament agreements and transparency) in relations between countries. In this context, the development of law in its internal dimension, especially the development of democracy (democratic institutions) is of vital importance. Democracy makes references to power in foreign policy of a (democratic) state more difficult.

In their politics, countries apply the principles of defence and supporting national interest, namely security, sovereignty (as far as the autonomy of decision-making is concerned), economic growth, influence or prestige. Globalization does not abolish the principle of sovereignty, although it does change the conditions in which it is practiced; it does not diminish the importance of states as basic participants of international relations, but it introduces new and more powerful actors on the stage; it does not make governments less needed (although it makes it difficult for them to hold some policies), but it forces them to creatively seek new instruments assuring effectiveness where they are irreplaceable. However, globalization processes generate problems which must be dealt with only and exclusively by governments.

The scope of external relations of a state realized not through traditional foreign policy structures (headquarters, outposts), staff, etc., but through government agencies or non-government entities has considerably increased. Also the scope of internal and foreign matters subjected to multilateral regulations is growing rapidly. Such regulations are arranged, agreed and implemented by multilateral institutions, regimes, mechanisms and procedures. This requires greater involvement of diplomacy and other agencies partici-

pating in foreign policy (ranging from finance to labor and social policy) in conference diplomacy. Governments must allocate more resources to it, prepare more appropriate staff with specific skills required in multilateral diplomacy. Participation in multilateral global diplomacy requires long-term and extensive preparation to proper negotiation, as well as seeking and gaining allies, forming *ad hoc* coalitions, finding areas of compromise which consist of extremely complex bundles of concessions and benefits so that the final outcome is favorable to a given state. It is also necessary to incorporate non-governmental organizations into foreign policy in a conscious way. NGO's may facilitate or hinder the state's foreign policy and make it more difficult to achieve its goals. We should be aware that NGO's interests may be divergent or convergent with the government's interests and foreign policy. It happens that governments which, for some reason, cannot take some external actions, use non-governmental organizations (for example in the sphere of human rights or environment protection; there are some known cases of non-governmental organizations acting as commissioned by governments).

The importance of public and social diplomacy is growing. In the first case (public relations) this refers to the promotion of a country abroad, creation of its favorable international image. Opinion is mostly built by huge international media which, as governments or transnational corporations, run their own policy, thus they are not objective. They represent someone's interests, some pressure groups or political orientations. There are many possibilities of creating a positive image of a country internationally, using large media: from publishing special inserts in magazines and newspapers with large circulation, purchasing space to publish an article written by a minister or the president, to organizing huge international conferences which will interest the media and provoke their favorable comments. In order to achieve a vital goal of their foreign policy, governments often hire public relations companies. This is done especially when it is important to convince not only governments of other countries but also public opinion, which practically boils down convincing parliaments competent to ratify international treaties.

We may state that social diplomace is the reverse side of public diplomacy. It consists in convincing own society and assuring its support in matters of strategic significance to the state, in which society (public opinion), due to lack of interest or disinformation or propaganda campaigns of other political forces, may not have any opinion or may have an opposite opinion. We are witnessing the establishment of departments of promotion, information and cultural diplomacy, whose task is to affect both social awareness (public opinion) in their home country as well as the so-called international

public opinion. Jean-Marie Guehenno even identifies foreign policy strategy in the globalization era with marketing. The scientist means constant marketing of our ideas, skillful influence and, if necessary, manipulating perception in order to ensure support and activate sources. Those who master this art and control the media, will thus gain strategic advantage.

Globalization processes have activated the system of applying strategy in foreign policy. Efforts are being made aimed at better understanding conditions in which we must operate strategically and methods which can and should be used in these new conditions. J.M. Guehenno wrote that ‘an effective strategy of a globalization age requires different, sometimes nearly contradictory skills: adequate understanding of the world we are leaving and the world we are entering; leadership talent combined with opportunistic feeling of adaptation to the situation in which power is dispersed; the ability to focus power and to make serious decisions quickly, making sure that most of them should be taken gradually and in a decentralized way; and finally, the ability to calculate coldly the the relationship of power and universal moral intuition’.

In conclusion, we may add that foreign policy is helpless towards globalization processes, as they mostly pass it by. The task of maintaining country sovereignty, its subjectivity, modern (expressed in democratic procedures) rights of a country to self-determination, to preserve its identity, cannot be limited to foreign and defense policies in any country these days. To face globalization sensibly is a task for the whole society, the whole country. The problem of sovereignty is no longer boiled down to international law. It is commonly believed that sovereignty is the control over the fate and future of the society, over the conditions and direction of its development. This game is played on various levels, in various areas and places simultaneously. Therefore it requires involving various social powers and factors as well as many dimensions of a state policy – from education and taxes to purely foreign policy. The stakes are high. Once again we should quote, as some kind of warning, the remark made by Lester Thurow: the place of a country in global reality ‘depends on who you are. For one group global economy is the best thing ever , for another group – the worst one’.

Advantages derived from globalization of the political sphere:

- gradual disappearance of barriers to international cooperation,
- democracy and linearity of the global system,
- gradual universalization of human rights,
- growing institutionalization and formalization of international relations,
- attempts at regional integration,
- power dispersion.

Costs of globalization of the political sphere:

- limitation of country sovereignty,
- declining significance of international political organizations,
- declining role of national governments,
- crisis of international institutions,
- declining level of democracy internationally,
- disappointment and loss of trust in institutions,
- globalization of social problems and pathologies.

References:

1. J.W. Bossak, „Systemy gospodarcze a globalna konkurencja”, Wydawnictwo Szkoła Główna Handlowa, Warszawa 2006.
2. T.L. Friedman „Świat jest płaski. Krótka historia XXI wieku”, Wydawnictwo REBIS, Poznań 2006.
3. S. Hongbing „Wojna o pieniądz. Prawdziwe źródła kryzysów finansowych”, Wydawnictwo WEKTORY, 2011.
4. S. Hongbing „Wojna o pieniądz 2. Świat władzy pieniądza”, Wydawnictwo WEKTORY, 2011.
5. P. Małecki , P. Stanek., ”Gospodarka światowa wobec kryzysu globalnego, [in:] Gospodarka światowa w warunkach globalizacji i regionalizacji rynków”, Difin Warszawa, 2009.
6. S. Miklaszewski, A. Garlińska-Bielawska, J. Pera, „Natura i różnorodność przebiegu światowego kryzysu gospodarczego”, Difin, Warszawa, 2011.
7. T. Pakulska, M. Poniatowska-Jaksch, Korporacje transnarodowe a globalne pozyskiwanie zasobów, Wydawnictwo Oficyna, Warszawa 2009.
8. J. Perkins „HITMAN - Wyznania ekonomisty od brudnej roboty”, Wydawnictwo Studio Emka, 2006.
9. I.M. Smandek (editor), „Instytucjonalizacja procesu globalizacji”, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009.
10. J.K Solarz., „Międzynarodowy System Finansowy. Analiza instytucjonalno-porównawcza”, Wydawnictwo Menedżera i Bankowca, Warszawa, 2001.
11. B. Stępień, „Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych”, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009.
12. P. Sztompka, Trauma wielkiej zmiany: społeczne koszty transformacji, Instytut Studiów Politycznych Polskiej Akademii Nauk, Warszawa, 2000.
13. I.A. Stiepanov, Сб. научных трудов «Проблемы экономического и социального развития общества на пороге XXI века».- М.: «Агри-Пресс», 2000.
14. I.A. Stiepanov, Коэволюционный путь развития мировой экономики Список трудов, к.э.н. Степанова Ильи Александровича, Человеческий капитал. 2010.
15. I.A. Stiepanov, Актуальные проблемы формирования и развития инновационной экономики РФ. Кол. Монография, М.: АМА-ПРЕСС, 2010.
16. Ślusarczyk B., Teoretyczno-praktyczne aspekty globalizacji gospodarczej, Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa 2010.

17. Toffler A., „Trzecia fala” tłum. E. Wojdyło, M. Kłobukowski, Poznań 2006
18. Winiarski B.: „Polityka gospodarcza w obliczu procesów globalizacji. Perspektywy na pierwsze dziesięciolecie XXI wieku.” 3rd edition. Warszawa: Wydawnictwo Naukowe PWN, 2006
19. Witkowska M., Cholawo – Sosnowska K., „Społczeństwo informacyjne. Istota – rozwój – wyzwania”, Wydawnictwa Akademickie i Profesjonalne, Warszawa 2006
20. Wolf M., “Will the Nation-states Survive Globalization?”, „Foreign Affairs” 2001, No. 1 (80).
21. World Investment Report, UNCTAD – source: reports of Departament Analiz i Prognoz Ministerstwa Gospodarki, Warszawa, November 2007.
22. Wysłocka E. (editor), Ekonomiczne aspekty procesu globalizacji, Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009.
23. Zacher L., quoted after: Lidia Gabryś, „Instytucja państwa w dobie globalizacji”, from: „Wyzwania procesu globalizacji wobec człowieka”, edited by Ewa Okoń-Horodyńska, Akademia Ekonomiczna im. Karola Adamieckiego, Katowice 1999.
24. Zaorska A., „Ku globalizacji? Przemiany w korporacjach transnarodowych i gospodarce światowej”, PWN, Warszawa 1998.
25. Ziegler J. „Imperium hańby” Wydawnictwo: Książka i Prasa, 2012.
26. Żelazny R., „Postęp technologiczny a proces globalizacji – wymiar globalizacji, [in:] Instytucjonalizacja procesu globalizacji”, I.M. Smandek (editor), Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009.

