SWITCHING FROM THE GLOBALIZATION OF MARKETS TO THE GLOBALIZATION OF PRODUCTION AND SERVICES IN A SEMIGLOBALIZED WORLD

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Abstract
The retrospective of the theoretical approaches of the phenomenon of economic globalization in the last three decades emphasizes the movement of attention from the globalization of markets, from the'80s, to the globalization of production and services in the current decade. This trend is essentially the result of implementing new strategies by multinational companies. It also requires accepting the idea that the current status of the world economy is in reality one of semiglobalization and not of complete globalization. We try in this context to draw a line between the "globalization of markets" and the "globalization of production and services" and to adjust the typology of multinational companies to these realities. A feature of the globalization of production and services is the implementation of the arbitrage strategy in respect of one or more production factors. But the "globalization of production and services' gains a new content due to the new possibilities offered by the "modularization" of production. Following, the arbitrage strategies began to address new factors, as for example the "functions" of production resulting from the restructuring of the value chain of a "product" in its broadest sense (from conception to postsales analysis). We believe that, in the context of the emergence and development of the globalization of production and services, it is the time to define a new category of world economy players, the category of the "globally integrated company / business ". Within this new framework, the company strategies acquire features that exceed the classic approach and have to be thatfore analyzed distinctively.

Keywords: *semiglobalization, globalization of markets, globalization of production and services.*

Introduction

Historically, comparisons are made between the first globalization (1870-1914) and the second globalization (postwar and especially since the'80s) and it argues that the world economy reached only in the 80s the same high levels in terms of capital mobility, foreign direct investment (FDI) and trade which were specific to the first globalization, but with the difference that freedom of immigration is not at the levels of that time. While labor migration has played a major role in the first stage of globalization, in the second, the effects of globalization mainly result from the reorganization and relocation of production.

If you look at economic globalization as a process of acceleration of the world economy and of the national economies, leading to the unification of international markets and creating a global market (Suzanne Berger, 2006), then globalization today is the result of political, economic and technological shocks that synchronized and mutually strengthened in the early '80, which led to substantial restructuring of the manufacturing process. Once China began in 1979 to open the economy to the west and the Berlin Wall collapsed in 1989, the most powerful political barriers to trade and capital mobility have been dismantled. An important role also played the policies of the industrialized countries towards the liberalization of capital markets and the elimination of barriers in international trade.

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We must also mention another very important element of the current globalization process namely the accession to the status of competitors of developed countries by a growing group of developing countries. If poor countries in the past exported food products and natural resources, currently over 70% of total exports of goods of these countries is represented by manufactured products, and the share of developing countries in the world merchandise trade amounted to about 1 / 3 of world trade.

Specific to this new stage of globalization is the complexity reactions (positive and negative) caused by the moving of the focus from the globalization of markets to the globalization of production. We will turn back to this subject after introducing an element of moderation of excessive optimism or concern admitting, as supported by Pankaj Ghemawat[1], that the current status of the world economy is one of semiglobalization.

Switching from "the globalization of markets" to "the globalization of production and services” in a semiglobalized world.

Pankaj Ghemawat is trying to temperate fears and apocalyptic scenarios of the immediate effects of globalization and makes a table of the degree of internationalization on 10 representative types of activities. Thus, in 2004 seven of them were below 10%, respectively: the use of telephony, the share of immigrants, the share of foreign students, share of foreign-linked research (in the management), international private aid, the share of FDI (in gross fixed capital formation) and international tourism. Only three activities have exceeded the threshold of 10%, namely the share of patents of inventions with a component of international cooperation (15%), investments on international stock markets (about 15%) and the share of international trade in world GDP (about 27%) . Other two components, not easily quantifiable, can be also added: the internationalization of data traffic on the Internet, put by the most optimistic estimates slightly below 20% and the internationalization of IT services (considered to be representative in the context of the recent characteristics of globalization), estimated at 2% of the total potential market or at 11% of the current market (as a share that may be the subject of offshoring).

These data prove that the semiglobalized status of the current markets is important also beyond the social and political issues. It is, in particular, the strategies that companies with international vocation are bound to adopt. The acceptance of the semiglobalized status lead to the fact that firms can not achieve success in business decisions based solely on the "country-by-country" or the "valid for all countries” strategies. The potential success of strategies in the last category would had shown that the differences between countries and regions do not play anymore a sizable role because they were brought to a common denominator by homogenization of national markets and their absorption in the broader patterns of global markets.

Differences between countries are still important in developing and optimizing the external strategies while the gravitational theories of trade and other forms of international economic interactions maintain good measure of their validity. There is a direct correlation between these activities and the economic size of countries involved, but also inversely proportional correlation to the physical or non-geographic distances. The similarities between countries, reflecting the reduction of non-geographical distances between them was, for example, measured by Pankaj Ghemawat and Rajiv Mallik[2] on five components whose estimated effect on bilateral trade is expressed as a percentage in parenthesis:

- Common language (42%)
- Joint regional trade bloc (47%)
- The former colonial affiliation (188%)
- Common currency (114%)

- Common land border (125%)

This would involve a volume of trade between two countries enjoying all five similarities 29 times higher (1.42 x 1.47 x 2.88 x 2.14 x 2.25) than between two countries with no similarity. A good example is the integration into an economic agreement like NAFTA. If in 1988, before drawing this Agreement, trade between Canadian provinces was 20 times higher compared to the volume of trade with U.S. states of the same size and located at the same distance, the appearance of NAFTA reduced the intranational trade / international trade ratio (the internal market effect) to 10 / 1 in the middle of the 90's to about 5 / 1 in 2005.

It should be noted that the internal market effect does not disappear, as it can be expected, and if for merchandise trading is situated at about 5 / 1, it is several times greater in the case of services.

The effect of distance, both geographical and non-geographic, was confirmed also in relation with other forms of economic interaction (other than trade), a larger negative impact being detected in the FDI, stock exchange transactions, patents trade and e-commerce transactions. In addition, analysis of a number of 19 independent statistical studies highlighted that, overall, the distances effect has not decreased significantly during the twentieth century[3].

But we believe that the last century marked an already statistically visible decline of the geographical and non-geographical distances effect due to a number of more sustained developments in the political and economic area and also in the modularization processes and offshoring of production of goods and services.

Once demonstrated the importance of the principle of taking into consideration the effect of distance in the analysis of the globalization strategies of companies, we should mention that there are some useful tools in the conduct of a "country analysis". The classical components of these tools are focused either on the unilateral attributes of countries or on the multilateral ones. In the first category we find the competitiveness index published by the World Economic Forum, covering areas such as finance, technology, manpower, management and institutions.

To the second category belong the liberalization indexes relative to the customs duties, tariffs and other barriers that measure the administrative distances between a country and the rest of the world.

But these types of instruments are not appropriate in revealing certain aspects of the differences or, in other words, are insufficient in revealing the bilateral dimensions of the "distances" between countries. One of the specialists in globalization that became aware of this insufficiency was Pankaj Ghemawat who proposed a model of analyzing the bilateral "distances" between countries.[4]

The model proposed by Pankaj Ghemawat is called the CAGE model, because it takes into account Cultural, Administrative, Geographical and Economic distances. It can be used at the country level, but its usefulness is most consistent at the industry level. Without insisting, we mention that the CAGE model applied to industry can be used to a wider range of applications, including:

- viewing the differences between countries
- understanding the competitive disadvantages of foreign firms to the local ones,
- comparative analysis of foreign competitors,
- comparisons of markets,
- ranking of countries according to the "distance effect".

However we have to mention that the idea of overcoming, in the conceptualization of external strategies, of the pure physical or geographical distance, and replace it with a broader concept, that of the "mental" distance, is not new. Since 30 years now Johaansonn Jan and Jan-Erik Vahlne[5] suggested that any company that wants to go internationaly should focus primarily on the countries with the smallest "physical" distance, that is the smallest "distance between local market and foreign market, resulting from the perception and understanding of the cultural differences and the business environment.

The retrospective of the theoretical approaches of the phenomenon of economic globalization in the last three decades, which of course is trying to understand and define the realities of the world economy, emphasize the movement of attention from the globalization of markets, from the'80s, to the globalization of production and services in the current decade. This trend, which we will deal with in this paperwork in order to elucidate, as much as possible, its actual content, and consequently, the phenomenon of economic globalization, is in essence the result of implementing new strategies by the TNC. The attempt to define the economic globalization must be based on the understanding of the diversity of the global strategies of the companies and mutations that occur in this matrix.

The globalization of markets lexically abreviates an set of TNC strategies that are primarily aimed to exploit the similarities between countries as a source of added value. Differences between countries, whether of cultural, administrative, geographic or economic nature, are addressed in these strategies as a set of constraints that need to be overpassed.

Depending on the nature and extent of these constraints we can draw a line between two extremes:

a) a limited globalization of markets, in which "distances" between countries exist and are significant, justifying the emphasis put by companies on strategies of adaptation to the characteristics of each market;

b) an extended globalization of markets, characterized by a significant reduction or even disappearance of the "distances" between countries, which brings to attention the aggregation strategies that enable companies to achieve significant economies of scale based on the international standardization of products.

In terms of the configuration of international integration development in the post-war period, namely of its enlargement along all its economic coordinates, but without reaching the stage of complete global integration, the historical stage in which we stand is, in fact, one of semiglobalization as we defined this concept in the previous module. The immediate implication of this economic reality on the strategic behavior of the TNCs is the effort to put together, for almost each case, a specific mix of AA (Adaptation / Aggregation) type strategies. The literature in the field of global business strategies has put enough emphasis on this mix during the past decades.

Two assertions made with a gap of 23 years between them, seem to be of special interest in this context. First of them belongs to Ted Levitt, who made the following comments in its well-known book "The Globalization of Markets"(1983):

"The globalization of markets is the issue today. Thus, the multinational commercial world is close to its final days and the same can be said about the multinational corporation… The multinational corporation operates in several countries and adapts their products and processes in each, with corresponding high costs. In contrast, the global corporation operates with an absolute determination ... and sells the same products in the same way everywhere”.

It is of interest in this statement, the vision of an impending fully integrated world in which the global strategy of the firm will inevitably confine to what we can shortly describe as "the same size for everybody." We see here an exagerated emphasis put on the viability of the overall international standardization scenario, which is questionable even in terms of the achievement, in a future still impossible to define, of a complete global economic integration.

A recent attempt to redefine the company within the trends of the globalization of production and services belongs to the president of IBM, Sam Palmisano which, in his article "The

Globally Integrated Enterprise" published in 2006 in Foreign Affairs, states that: "The multinational corporation at the end of the twenty-th century has few things in common with the international companies from a century ago, which, in turn, were very different from large commercial companies from the XVIII-th century. The type of business organization which is currently emerging, namely the globally integrated enterprise, represents a leap as significant as that.

We have to mention that Sam Palmisano noted the emergence of this new type of "enterprise" which involves an innovative and integrating approach, in the context in which it was estimated that only between the years 2000-2003, foreign companies have massively relocated their production to China, founding there around 60,000 factories, and IBM was, too, looking for a strategic response to this phenomenon.

In relation to these trends, we can make the following clarifications:

1. First, it is logical to locate ourselves with Ted Levitt's assertion in the period of the "globalization of markets' and of the prevalence of strategies mixing adjustment with aggregation. Also, we should not fall in the extreme of considering the period of "the globalization of markets“ as an outdated historical period. Even now, most MNC are guided by strategies that aim to eliminate the constraints induced by the "distances" between countries. They have not yet connected to the new valences offered by the strategies of production or services globalization, with which they coexist in the last decade. Thus, in the case of companies situated in the perimeter of the strategies belonging to the "globalization of markets", we consider that the following terminology can reflect more appropriate a certain reality:

a) "MNC" – when the globalization of markets is limited and the company's strategy is inevitably constrained to a national adaptation. The company is "multinational" because it acquired, with the adaptation to national specificities of the host country, "n" national dimensions.

b) "Global company" which, unlike MNC, is until now a fiction to the extent that you can not speak, even at regional level and even less worldwide, of an extensive and complete globalization of markets. Only the complete aggregation of markets will make the notion of "global company" meaningful (when, stressing again, we analyze things in terms of the globalization of markets strategies).

c) "MNC ongoing globalization" or "semiglobalized companies" for the case in which companies have implemented strategies of markets aggregation, exploiting similarities (of one kind or another) of some markets, most often on the regional level. Current conditions do not allow yet a world aggregation of markets. Many companies simultaneously practice strategies of adaptation on some markets and strategies of aggregation on other markets. Their terminological place is however in this third category.

2. Secondly, we have to delimit conceptually the "globalization of markets" from the "globalization of production and services" because we believe that one can insert more reasonable the types of the globally integrated companies within the latest form of globalization.

The globalization of production and services expresses essentially those company strategies meant to exploit the differences between countries, addressing to these national features as to opportunities of realizing added value and not as to constraints to be overpassed. The difference of approach is obvious and, in order of making clearer the need of customizing the business strategies to the two dimensions of current economic globalization, we propose the following definitions:

a) The strategies of market globalization involve the realization of a product in other countries, depending on the particularities of demand and exploiting, as much as it is possible, the similarities between markets in respect of demand.

b) The strategies of production and services globalization involve an international value chain structuring based on the particularities of the production factors supply on the international market.

A feature of the globalization of production and services is the implementation of the arbitrage strategy in respect of one or more production factors (including also the "production" of services) such as labor, capital, innovation, the cost of a "function" resulted from the process of "modularization" or the cost of assembling a number of negotiable “functions”.

The arbitrage of “traditional” factors of production (cost of labor or capital) is not a new strategy, but its magnitude is remarkable lately. Recently, the arbitrage strategies began to address new factors as for example the "functions" of production resulting from the restructuring of the value chain of a "product" in its broadest sense (from conception to postsales analysis).

The strategies of companies are shaped for some time in a AAA mix (Adaptation / Aggregation / Arbitrage) but, in our opinion, the "globalization of production and services", as part of the phenomenon of economic globalization, gains a new content due to the new possibilities, that did not exist until recently, offered by the “modularization” of production. Therefore "the globalization of production and services” is addressed in recent literature as a new phenomenon in field of globalization, or as a new dimension of the phenomenon of economic globalization. Within this new dimension, the company strategies have to be analyzed distinctively.

3. In the context of the emergence and development of the globalization of production and services it is time to define a new category, the category of the “globally integrated company / business ", with the following specifications:

- the term "integrated" is new in the terminological field related to companies involved only in "the globalization of markets" or in "the globalization of production and services, but based only on traditional factors. It reflects the integration in a certain formula of the value chain components of a "product". The integration of these components may be national, but the international integration is that which enables the obtaining of absolute yields from the international specialization in place at that time;

- the use of the alternative: globally integrated company **or** business is absolutely necessary in the light of the strategies involving the internalization or outsourcing of the value chain components. When at least one component is outsourced it seems more appropriate to use the category of "globally integrated business" (which soon will be certainly placed among economic categories);

- the term "globally" indicates here the distribution of the realization of the value chain components that define a "product" in at least two countries (without involving the connotations associated with the global or semiglobalized companies in the field of markets globalization strategies).

Conclusions

The globalization of markets consists of a set of strategies pursued by the TNCs that aim primarily to exploit the similarities between countries as a source of added value. Differences between countries, whether of cultural, administrative, geographic or economic nature, are addressed in these strategies as a set of constraints that need to be overpassed.

The strategies of the production and services globalization involve an international value chain structuring based on the particularities of the production factors supply on the international market.

A feature of the globalization of production and services is the implementation of the arbitrage strategy in respect of one or more production factors.

But the "globalization of production and services", as part of the phenomenon of economic globalization, gains a new content due to the new possibilities that did not exist until recently, offered by the “modularization” of production.

Following, the arbitrage strategies began to address new factors, as for example the "functions" of production resulting from the restructuring of the value chain of a "product" in its broadest sense (from conception to post-sales analysis).

We believe that, in the context of the emergence and development of the globalization of production and services, it is the time to define a new cathegory of world economy players, the category of the “globally integrated company / business ". Within this new framework, the company strategies acquire features that exceed the classic approach and have to be thatfore analyzed distinctively.

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