

Globalization of the world economy and analysis of its consequences

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Abstract

The process of globalization today is inevitable and affects all aspects of people's social life. The main impetus for the emergence and spread of the globalization process was the social and international division of labor. So, we are witnessing a rapid increase in the interconnection and interdependence between countries.

The following observations can be noted, concerning the impact of the globalization process on the economies of countries:

- 1) The globalization process is inevitable and has both positive and negative consequences for the country's economy.
- 2) International trade is less defined by absolute and comparative advantages, and to a greater extent, the interests of global companies. While competition for scarce resources continues to grow and there is a range of negative consequences of the globalization process, the interdependence between countries is increasing and countries are interested in cooperation. No country can stand aside from this process, because the losses will be greater than the benefits.
- 3) The role of the state in the context of the globalization process is decreasing. It is becoming more and more difficult to pursue a monetary policy and influence the exchange rate, since it is difficult to distinguish between the real flow of goods and services (export-import) and the flow of goods and services transferred from one division of a transnational corporation to another. Similar to the export-import of capital, the real picture is not shown as global corporations use transfer prices.
- 4) On the other hand, countries that are trying to control the influence of TNCs on their economies and are trying to apply severe restrictions (in the currency, tax and other areas) - as a result, face capital outflow and the departure of TNCs to countries with a more favorable regime.
- 5) The task of the state is to maintain a balance in regulating the activities of branches of global corporations on its territory. The main goal in this direction should be to make conditions for creating and consolidating the positive effects of globalization and minimizing the negative effects.

Thus, the process of globalization is very controversial. Strengthening the positive effects of globalization involves reducing transaction costs, setting priorities in the policy of supporting scientific and technical enterprises, creating favorable conditions for attracting investments to the country, and controlling the use of transfer prices by global companies.

Reducing the negative consequences of globalization involves the state acting as an intermediary, reconciling state interests with the interests of global corporations, reaching a compromise that allows mutual benefit. Despite the widespread point of view about the reduction of the role of the state, in our opinion, it still saves its strength, which lies in the need for a more flexible policy. So, some of its functions should be reoriented to the modern realities of interaction with global corporations in the world market. The search for a compromise between state interests and the interests of transnational companies is one of the main state functions.

Key words: globalization; positive and negative consequences of globalization; transnational corporations; anti-globalization movement; economies of scale; transfer price