GLOBALIZATION FROM EMERGING COUNTRIES

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Abstract
Global economies have endorsed fundamental changes on global economies in the last few years, regardless of the level at which it is perceived. We have become witnesses to a world where trade and capital flows across economies have grown so much that globalization of the economies is a reality, globalization has become a formula able to open the gates of all present and future dilemmas.
The world in which national economies were relatively isolated, through distances, time and language differences, government regulations, but above all through the borders of commercial and investment flows, is progressively being replaced by a world in which national economies connect, becoming an independent economic system.
Globalization is a complex structure that has its own logic to influence today, directly or indirectly, the politics, environment, geopolitics and economies.
The phenomenon of economic, social, political globalization, with counting the accretion of international goods and capital flows have led to the development of conditions and opportunities of economic progress and development, and the access of extraordinary opportunities has led to the opening of markets, the impulse of commerce and the possibility to assimilate new technologies.
The methodologies used for the study are a systematic literature review and an evaluation of existing studies with relation to globalization and effects on the emerging markets.
In this paper we analyse the stimulus for implementing innovation by emerging companies in emerging market economies.
The results showed that globalization has an positive effect on emerging markets, creating possibilities for innovation and development.

Keywords
Emerging powers, globalization concept, foreign direct investment, innovation, consumers choice, efficient organization of production.

JEL Classification
M16, O11, O44, O50, F22, F23, F43, F63, F64

Introduction
The major consequence of ongoing changes is the configuration of a multipolar world in which emerging powers fulfill an increasingly important role globally, as an significantly factor in the restructuring of international order, signaling their policies. The transition from american influence to globalization in terms of the nature and distribution of power globally changes the geopolitical configuration of the world, and represents for science and social

practice a challenge that reiterates some theories, concepts and principles that guide the practice of governance in the context of globalization.
The moment of recognizing the need to include representatives of emerging countries in the debate and search for solutions to the challenges faced by mankind in the 21st century was the formation of the G-20 decision-making group to discuss the critical issues of global governance. The new structure responds better to current needs than the G-7.
Emerging economies are an active factor in the global economy, not only through the BRICS convention, joint actions, but also by establishing a variety of alliances between the different emerging countries, especially from ex-communist countries.
The most spectacular result of the emerging powers is the high rhythm of development, in the context of the succession of a global financial crisis, recessionary phases and the current sovereign debt crisis of developed countries.
We should accept the next wave, rather than stimulate a resistance on it. It has been a growing ideologies of globalization opposition faces narrowing immigration policies. However, the data shows: economic globalization is still the way to go by all economic operators; in fact, the globalization direction has shifted from developed economies to emerging economies, emerging economies need to take advantage of the opportunities that globalization will bring.
Although the developed countries have a great impact on the world, the growing economies seem to deal with the globalization differently. From a medium to long-term perspective, the data indicate that the impact of the developed economies could be affected. Trade, as a percentage of GDP, has known a constant development since 2011. Although there has been a modest slowdown in world trade in dollar-denominated assets, much of this decline could be proven to be a statistical illusion given the impact the strength of the dollar, and overlapping factors, such as the decline in the U.S. dependency on external energy and the lower long-term price of assets (OECD, 2007).
In post-2008 crisis capital inflows, global foreign direct investment is recovering robustly. Although it fell to $ 1.2 billion in 2014, it quickly recovered to $ 1.76 billion in 2015, the highest since the crisis. Global transnational mergers and acquisitions amounted to $ 4.9 billion in 2015, surpassing the $ 4.6 billion in 2007 and providing clear evidence of the expansion of multinational corporations in the context of globalization.
Along with the relaxation of legislation and trade policies between world economies, globalization opens ways and opportunities and for enterprises in emerging economies to innovate and to grow their competitive position. A lot of these opportunities rise through competition from, and linkages with, foreign companies (Enache & Merino, 2017).

Theoretical Literature - Methodology

While economists paid attention on the effects of globalization and the productivity of companies in emerging economies, the recent research begun to monitor the effects of globalization on innovation. There are two branches that can affect the acceleration on innovation: gained knowledge and product competition (Gorodnichenko et. al, 2009).
Consumers are more informed and they learned to choose products on a price-quality-benefit analisys and if a company has a product with superior quality that of competition, the company will gain more market share even if the number of low quality competition becomes swiftly large.
What matters is that products from emerging economies, with good quality and small prices have access and make competition to quality companies in advanced economies, and the effect of globalization has an impact on every economie advanced or emerging.
It is the former communist countries from Europe, along with BRICS, have the best chances to benefit of the present globalization, not – or not primarily – since of trade policies, but

since of the direct impingement as part of the liberalization of foreign investment and knowledge transfer.
Economists have supported the idea that competition will influence the process of innovation and the impact on economies by providing creative ideas for efficient planning of production, putting pressure on costs, and motivating innovation.
Recent research have shown that competition has different effects on companies/ economies that are eager to innovate and it's build upon their level of competence.
Enterprises are expected to change their habbits and to be influence by competition to innovate and to rise the efficiency of production, since competition reduces their pre-innovation rents. Innovation enables these efficient companies to gain competitive advantage and therefore to increase their post-innovation rents.
In a related research derive the prediction that companies located in a more pro-business economie are more likely to respond by innovating. This is since the pro-business economies enables these companies to be more efficient than companies in restrictive regulatory environment, and more efficient companies respond to competition by innovating.
Business competitiveness has now developed to a sophisticated global competition characterized by networks of global networks that bind economies, institution and consumers in an interdependent global economy. Economic alliance results from the relaxation of trade policies and the increased movement of goods and services, investments, labor and knowledge around the globe. The global competition is being pushed by the phenomenon of an increasingly borderless global economie, by technological advancements and by the rise of emerging markets such BRICS and former post-communist countries, a process of 'flattening of the world'.
Emerging economies now makes as much trade, investments and knowledge transfer as do developed economies.
The increased expansion to globalization is generated by many factors, including the use of technology and knowledge; political development that favorites cross-border trade agreements and more relaxed trade policies; and global competition for the increased numbers of consumers. From researches we can identify 5 key trends:

1. The chance of growth toward emerging markets compared with developed ones, pushed by the increase of middle-class consumers in the emerging economies
2. The need for a more efficient productivity and an increase of consumption in developed countries
3. The global connectivity and easiness of trade, as previously showed, and in particular the phenomenon of an 'flattened earth' that bust the opportunities, innovation and competition
4. The increased request on demand and deliver of resources, in particular to supply developing companies, along with the regulations on environmental protection
5. The challenge facing economies to develop policies for economic growth and stability

Globalization has led to the disappearance of differences in regional growth rates, driven largely by BRICS and other emerging countries (see Figure no. 1). Investors are interested in developed and emerging economies, with 78 and 75 percent of investors planning to maintain or seek new investments in these economies (see Figure no. 2). Frontier economies remain somewhat less popular, with only 69 percent of investors planning for new investments there (Castro, G., A.T. Kearney Foreign Direct Investment Confidence Index®, 2017).

Investors that already invested or are looking to invest, trading into the economies is the most popular way of investment across assets. However, investors develop their production in emerging economies (48 percent) and outsourcing in emerging economies (45 percent) (Castro, G., A.T. Kearney Foreign Direct Investment Confidence Index®, 2017).
An 75 percent of investors plan to increase their investments in the coming years, up from an already high 71 percent in the last year. Although this intention to increase investments is consistent across regions and sectors, investors based in Asia (79 percent) and those in the IT sector (83 percent) are eager to boost their level of investments (Castro, G., A.T. Kearney Foreign Direct Investment Confidence Index®, 2017).
The availability of quality investment is the most often reason to increase investments, followed by the macroeconomic environment. These branches could be related, as slow economic growth in recent years may have made some high-quality targets vulnerable to takeovers since of inefficient performance, while lower investment levels since the 2008 financial crisis may have created potential investments(Pavcnik, N., 2000).
Investors also point to an availability of funds, motivating their decision to increase investments, which could signal a forthcoming rebound in business more generally. It is notable that risk tolerance is a primary factor driving investments in the coming years, as this relates to a shift back to emerging markets as investment destinations as well as an overall diversification in the markets where companies plan to invest (Castro, G., A.T. Kearney Foreign Direct Investment Confidence Index®, 2017).
Global trade is progressively including developing economies judged to have growth potential, with investments from developed economies to emerging economies.
Figure 1 shows from research by the AT Kearney of the foreign investment intentions and preferences of the leaders of top companies spanning six continents.

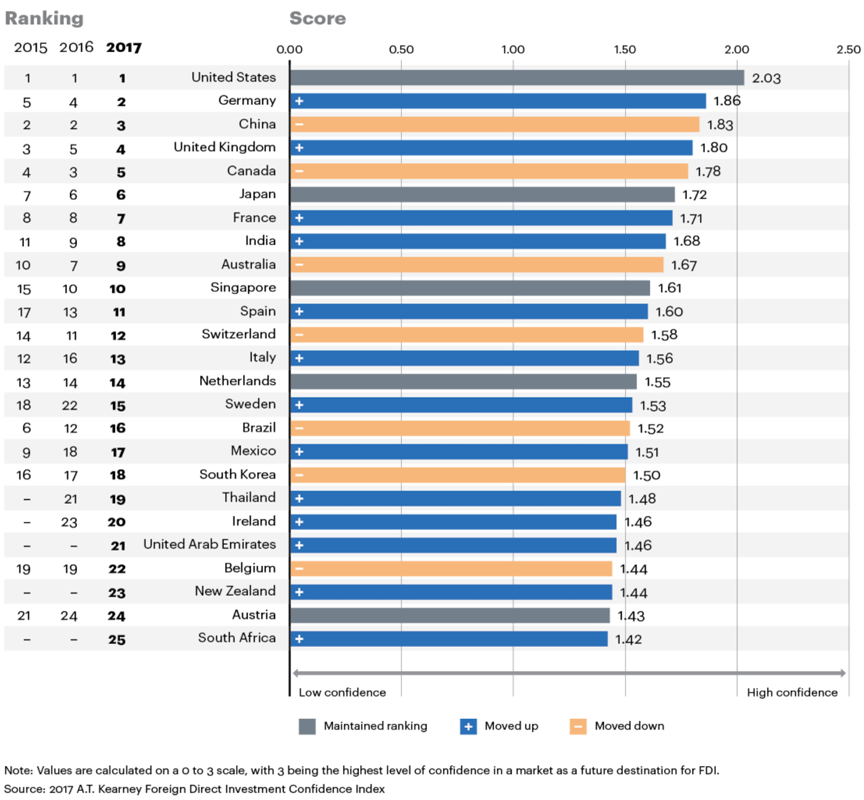

Fig. no. 1. FDI Confidence Index
Source: A.T. Kearney, 2017

In today's turbulent and fast-changing business environment and global companies varied operations in domestic and global markets, search engines are very useful and have been introduced in a multitude of languages.
In global business, big data is an important factor of search engines. The Economist in its annual World wrote that mny companies will analyze huge quantity of data to optimize everything, from their suppliers to their customer relationships.

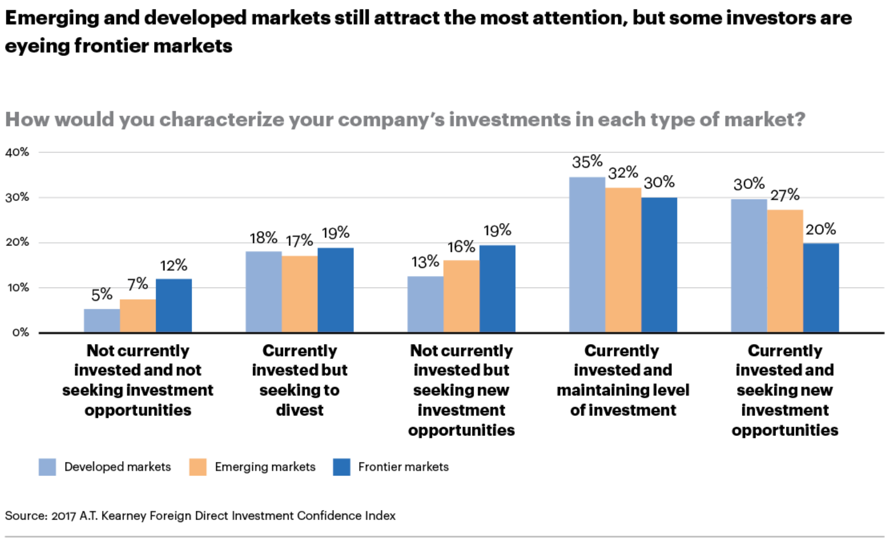

Fig. no. 2. Foreign Direct Investment Confidence Index
Source: A.T. Kearney, 2017

Consumer behavior in the context of globalization
Consumer behavior is the set of responses-attitudes, actions, measures, initiatives that it has to meet needs by using existing economic assets, or to base decisions on the use of income or for purchasing goods, services, savings. Consumer behavior is composed of behavioral behavior and consumption behavior. There is also a difference between the consumer and the buyer, meaning that an economic agent can be a comparator, but not necessarily a consumer.
Consumption 'the main element of economic activity', as Keynes calls it, is directly dependent on income levels and mediated by the level of efficiency. As the economic efficiency increases, they increase revenue, which in turn provides money for increasing consumption. But alongside the income, the size of consumption is also influenced by the overall situation of the economy and its future prospects, by the natural-geographical and socio-cultural conditions in which the population lives, the traditions, the age of the consumer.
Over time, the structure of consumption also changes, meaning the importance of various categories of goods for consumers. When income is reduced, most of it is affected - meeting vital needs: food, clothing and housing. As revenue and consumption increase, the share of spending to meet vital needs is reduced, parallel to the increase in the revenue side to cover the heightened needs of a spiritual and socio-cultural nature.
Globalization has a strong influence on consumption in the sense of diversification, increases the speed of access to any economic good destined for sale or financial, increases the efficiency and flexibility of markets, encourages e-commerce.
Emerging countries are signaling important mutations in consumer perception of products of different brands (Galavan, R., et. al, 2008)

Given the situation in the markets, especially after changing the political regimes of population oppression, consumers only perceived the differences between local and imported brands, providing global differentiation elements (especially through quality and product presentation) without you could specify brand-level details. After a certain period, the consumer improves his / her personal experience, with consumers starting to make a difference within a product group.
Multinational and transnational companies - a company that plays an important role in globalization, whose capital comes from several countries and operates concurrently in different countries - has a special role to play in shaping consumer behavior.
In terms of their definition, a unique definition can not be given, as the word 'multinational' is understood differently by researchers and business people. Researchers say that they are companies with a very high economic power that can definitely influence the economy of the markets in witch it operates, while businesspeople say they are enterprises whose capital comes from other countries.
The fact that the number of these companies, their economic strength and their power to penetrate almost any market has permited them to develop alliances, unions, that have come to dominate the whole world.
Being focused on profit, foreign companies are anchored so much in the host country's economic environment that they forget their country of origin. Many corporations are not focusing on focusing on the opening of new headquarters in the home country in favor of the host country, especially if it offers important advantages in terms of labor cost, taxes, low cost of production. This concentration of large foreign companies in the economy of other countries only contributes to the latter's development by creating new jobs, additional capital and know-how, but also exerting pressure on the governments of the country of origin as a result of rising unemployment (OECD, 2016).
The expansion of transnational companies is stimulated by the opening, liberalization and elimination of national restrictions. The expansion of the transnationals and the increase in the degree of internationalization of their activity determined their internationalization, mitigated the importance of the idea of national restriction, their overall activity not being sensitive to national restrictions or regulations.

Findings and Predictions:
Globalization increases competition in emerging economies and the effect of competition on innovation by local companies depends on the underlying theoretical model:

a. The effect of competition on innovation is positive
b. The effect of competition on innovation is positive for companies that are close to the efficiency frontier and negative for companies that are far from the frontier

Globalization motivates innovation by local companies in emerging economies through the transfer of knowledge:

a. Companies that supply a larger share of sales to global markets innovate more than companies that sell more to the local market
b. Companies that export larger share of their sales innovate more than companies that sell more to the local market
c. Companies that import a larger share of their inputs innovate more than companies that buy a larger share of their inputs on the local market

Companies in economies with a more pro-business environment are more likely to respond to competition with more innovation than companies in less pro-business environments (Gorodnichenko et. al, 2009).
While no researches have yet tested for the direct impact of foreign investment on local companies innovation, the investment literature has tested for efficiency gains that local

companies might obtain from the presence of global companies in upstream or downstream activities. The researches finds no positive efficiency effects in domestic companies that are in upstream relationship with foreign companies, but it detects large positive efficiency gains in domestic companies that are engage in downstream activities with foreign companies.

To support the statements outlined earlier we used information from 2002-2005 from Business Environment and Enterprise Performance and Enterprise Performance Survey(BEEPS). The survey is made on 7.900 companies in 27 emerging countries. The research relied on sampling frames and questionnaires, the surveys used stratified random sampling, depending on sectoral composition (manufacturing vs. services) determined by their contribution to GDP.

In this study, they develop the idea that innovation of new products, gain knowledge, adoption of new ideas and technologies or obtaining quality certifications. They use variables rely on answers to the questions about whether local enterprises have launched any of the following initiatives:

1. Develop and launch of new products or developing an existing one
2. Installing new production technology
3. Obtaining new quality accreditation

The BEEPS data also show us the degree of competition confront by every company. A key variable is the price to cost ratio, companies that are able to request a bigger markup are supposed to have less competition.

Transfer of knowledge from foreign to local companies – developed by Sutton (2007) and the foreign investment literature – is significant. Companies that have stronger vertical relationship with global companies, either locally (by supplying them) or outside the local market (by export or import), innovate more than companies that have weaker relationship with multinationals (Gorodnichenko et. al, 2009).

A percentage increase in a local enterprise's share of sales to global enterprises/ economies or to exports has a comparable influence on the first types of innovation and a big positive influence on acquiring a new accreditation.

Conclusions

Motivated by the recent research on globalization and the impact on innovation, we use rich company-level informations from the emerging economies of the post-communist countries and from economies that form BRICS, to test the effect of product competition and linkages with global companies on local companies innovative activities. Our attention on innovation is motivated by the fact that innovation is an important branch through which local companies try to be competitive and existing economic literature focuses primarily on productivity effects, assuming that the mechanism underlying these effects is innovation. The findings are that trading with global companies or economies (exporting and importing) induce innovation by domestic companies, companies that have market share tend to innovate more, but pressure from competition, local or foreign, also motivates for innovation.

Taken in their entirety, the results are encouraging and dangerous. While the backers of globalization and market oriented companies may be disappointed by the finding that bigger product competition and better pro-business environment do not encourage innovation, they will be happy by the finding that foreign investments and foreign competition promote innovation among local companies and that companies in a more market oriented economies tend to innovate more.

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