GLOBALIZATION OF FINANCIAL SYSTEMS IN EMERGING COUNTRIES

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Abstract
The term globalization is a diversity of meanings, which is a constitution or a source of confusion. When it comes to globalization, economies and business people are thinking especially of the international growth of markets, that is a tendency towards greater pronouncement of economic integration and financing. In recent years, in the general impression regarding the global financing, the international financing does not yet have an insufficient level of integration, and the capital markets segment persists. During this time, this phenomenon is difficult to reverse and this is due to the recent regulations for a financing system, technological progressives for financing and communication services, as well as the diversity of channels for the diffusion of a financial globalization.

Keywords
globalization, financial system, trade, emerging.

JEL Classification
F01, G15

Introduction

According to the definition needed in economic environments, globalization mainly refers to international integration. This point can be seen, an interdependence necessary in the operation of the management of internationalization processes, and is not a definition.

The increasing degree of integration of international financial markets can be implemented with regard to the way of conducting and orientating international financial flows (Jianu et al., 2019). Globalization of financing is an irreversible process of care to produce structural and functional changes throughout the global economy (Profiroiu et al., 2019).

This paper begins by analyzing some perspectives on the process of globalization and then presents an overview of the international monetary system. Having a well-defined structure and a distinct area of manifestation, international financial relations are in fact an extension of the economic relations that have emerged between the different. The most important aspects considered in the study of the way of manifestation and development of international financial-monetary flows, and which the present paper intends to analyze in detail are: international financial institutions with universal vocation, the evolution of the international monetary system, the monetary arrangements existing international instruments, the main instruments used in international financial markets, financial intermediation and its role in the development of international financial flows (Dropol, 2001).

Micro and macroeconomic effects of globalization

In small companies, the manager, synonymous with the owner, makes all the decisions related to the international activity of the organization (Ndikumana, 2003).

As the geographical spread increases, the relevance of its decisions is reduced, the distance can diminish until its competence is canceled and, consequently, decentralization is required (Bran et al., 2018). This need increases as the small, multinationalized companies enter a network, characterized by a shared operating space (Bodislav et al., 2019). Each manager thus appears as an element of a whole, his decisions being subordinated to the coherence and profit of the whole ensemble, which relativizes the importance of his role (Bran, 2005).

Small, global firms are highly decentralized, with a strong specialization, a complex and formalized internal and external information system (Patriche, 2003). The flexibility and the high reaction speed of the small companies to the change of the external operating environment favors "their economic performance, raising a series of challenges to the actors that have fed the change, in this case the multinational companies, imposing them an appropriate adaptation" (Rotariu, 2001). In addition, the exacerbation of competition, induced by the globalization of the world economy, generates constraints of multinational companies, accelerating the pace of innovation.

The relations between the multinational companies and the nation states have evolved with the transformation of the world economy system, the strategies of the multinational companies and the policies of the states interacting with each other (Demirguc-Kunt, 2001).

The international establishments of the companies are determined by the characteristics of the national economic and social systems, and the industrial policies of the states are conditioned by the global strategies of the multinational companies. The globalization of the financial market is another clear indication that the economies of different countries are moving towards an increasingly integrated global system (Burlacu et al., 2019).

The post-war monetary arrangements from Bretton Woods, the establishment of the International Monetary Fund and the World Bank have constituted a more stable and integrated international financial system, based on the basic idea that unstable capital movements impede the development of international trade and can lead to wide crises (Fătu, 1998).

This central idea has lost its operationality, but not of importance, as the developed countries resorted to the liberalization of capital, against the background of market liberalization in the 1980s, of the economic growth of the last decades, of the technological progress, which, at in turn, they stimulated financial innovations leading to the emergence of derivatives.

Increased competition in international financial markets forces large financial institutions to launch large-scale operations around the world, challenging national borders and time zones, and including in their offerings a growing variety of financial services (Olteanu, 2003).

A first consequence of the process of globalization is to improve the macroeconomic efficiency of financial systems (Burlacu and Jiroveanu, 2011). The free movement of capital, interconnected markets and risk coverage opportunities provided by the new financial instruments allow for an optimal balance between the total financing capacity and the loan applications of corporations or governments (Popescu I., 2004) The level of the market interest rate, established on the basis of the ratio between demand and supply and incorporating the specific risk, leads to a more efficient allocation of capital. (Păunescu, 2004).

Finally, the expansion of financial markets allowed the rapid channeling and transformation of savings into investments. By reducing financing through bank loans, which led to a certain curtailment of the creation of the currency of account, the financial markets allowed the financing of the economy in a less inflationary way.

Research Methodology and Results

Evolution of international foreign financial flows

The economic integration favored by the mobility of the capital and by the substituality of the assets contributed to the diversification of the currency-financial relations (Rădulescu et al., 2018). The resources in foreign currency that are mobilized and distributed in order to carry out international economic exchanges, investments and cover other requirements have registered significant increases. The economic development of the countries, the deepening of the international division of labor amplified the financial and credit flows (Voinea, 2007). The evolution of international economic exchanges and cooperation, industrial and investment policies, the opening of national commercial spaces and the liberalization of capital movements have generated a tendency of globalization in the field of international currency-financial relations (*Chart 1*).

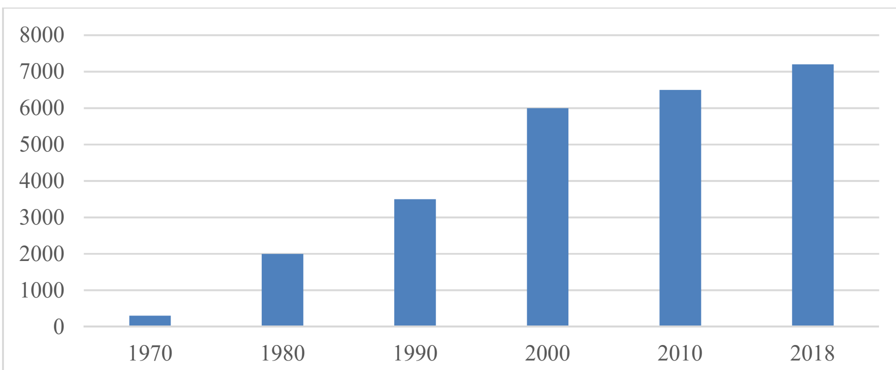

Fig. no. 1 Evolution of international economic relations

Source: www.unctad.org, Development and globalization – facts and figures, Annual Report, 2019

The main evolutions of the structure of financial flows in the current period are the following:

• Foreign direct investments (the acquisition and management of productive assets abroad) have passed the phase of their concentration at the level of the main industrialized states and have now acquired an increasing global dimension.

After an uninterrupted growth in the activity of foreign direct investments in 2003-2007, global FDI inflows decreased by 14% in 2008 to $ 1,697 billion, following a continuous but not very significant increase in the following period. International bank loans know two main forms, namely: traditional loans and euro currency loans.

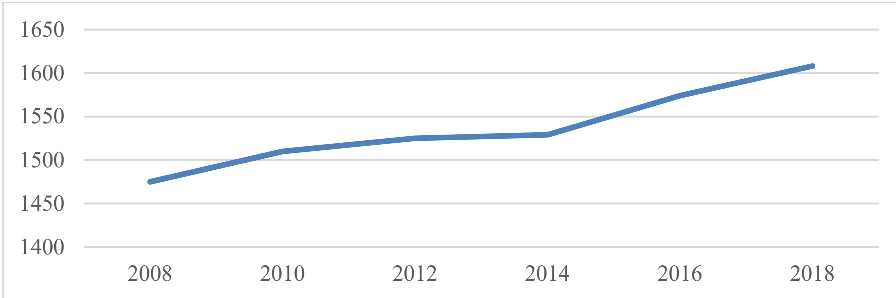

Fig. no. 2 International bank loans (billion dollars)
Source: European Central Bank, Annual Report 2019

- International bond issues are a component of a continuous growth process due to the fact that it is a fast and cheap way to attract foreign capital. The financial disintermediation process contributes to reducing operating costs and adapting the transactions to the specific needs of the borrowers. The main issuers of these financial assets are multinational governments and corporations, and the main holders are institutional investors, especially pension funds. At the level of the European continent, the main countries holding international bonds are Sweden, France, Germany and the United Kingdom;

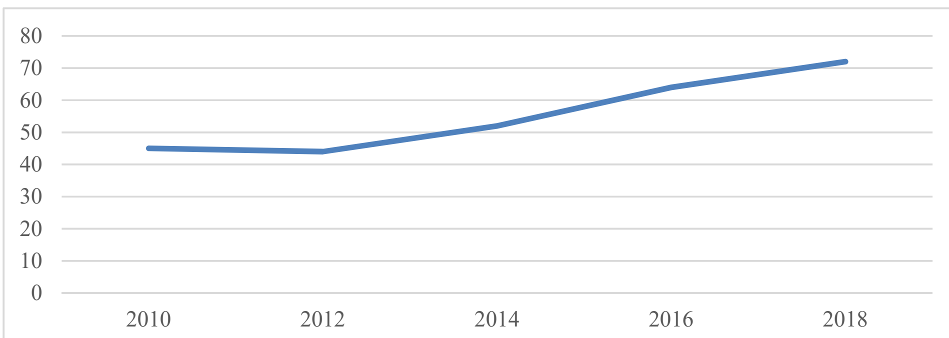

Fig. no. 3 Futures contracts and commodity options (billion dollars)
Source: www.unctad.org, Trade and Development Report, 2019

- Issues of international shares have led to a significant transformation of national stock markets. Most of the capitalization of the London stock exchange consists of foreign shares listed on the London market. The value of international equities has increased sharply in recent decades. With the disappearance of national controls on the movement of capital and the reduction of restrictions on foreign institutional investors, there is a phenomenon of diversifying their portfolios internationally and increasing the share of foreign portfolio investments in shares issued by companies located in developing countries;
- The international market of financial instruments derived from the type of futures and options contracts has undergone a spectacular development. These instruments are based on the main currencies, interest rate assets, stock indices and a number of main commodities.

Perspectives of emerging economy capital markets

Venture capital investments are investments in small and medium-sized companies, which provide, on the one hand, above-average income and, on the other, an above-average investment risk. Developing countries have limited experience with industrialized countries in terms of venture capital. All the more so since in Eastern Europe and Asia there are over 250 venture capital funds, the total number increasing to 400 worldwide.

The short history of investing in venture capital in developing countries and the lack of documentation on private financing agreements is due to the few published studies, and those that xist are at a basic level.

Forecasts regarding the position of the capital markets in the future:

- Capital markets are not developed in economies in transition
- Due to the changes in the shareholding structure - from the state sector to the private sector - many observers believe that functional capital markets are essential in the transition process. Indeed, 20 of the 26 economies in transition have formed capital markets in the last 10 years. And yet, many of them are poorly developed or inactive. Even the most developed markets in Central Europe are small - the market capitalization does not exceed USD 15 billion in Rep. Czech, Hungary or Poland.

Among the members of the British Community of Independent Nations (CIS), with the exception of Russia, the market capitalization is less than USD 1 billion. As a ratio in GDP, capitalization equals levels in other emerging markets only in Estonia and Hungary. The activity on the capital markets is reduced in the economies in transition, with values of the volume of transactions / Market Capitalization ratio less than 30%.

- ***Developing an internal capital market will be very difficult for most of the economies in transition***

Due to legal and institutional reforms and private sector development, markets in Central Europe and the Baltic area will continue to grow. And yet, with the exception of Poland, none of these markets will exceed the $ 20 billion level of capitalization in the near future. In CIS member countries and in many Eastern European countries, weak laws and regulations, slow development of the private sector, modest participation of institutional investors, the uncertainty of macroeconomic development has posed serious obstacles to the development of capital markets. Although many of these constraints can be overcome, capital markets in all transition economies will remain small by international standards, and many will not reach a minimum level of economies of scale.

Even if macroeconomic and legal system progress is being made, the power of institutional investors increases, by 2012 the market capitalization of all transition economies is expected to be around USD 15 billion - only 4% of the current market capitalization worldwide.

Slow development of domestic capital markets does not mean that economies in transition will not have access to the services and functions offered by international capital markets.

Globalization of international financial services transactions, harmonization of rules regarding the acquisition and transaction of capital worldwide, technological development has increasingly allowed corporations to list their shares and raise capital in the markets that offered the most convenient method of financing. financing, lowest price, and highest liquidity.

Similarly, the globalization of the trading systems and newer, the Internet system allows the customers from anywhere in the world to have access to the services of the capital markets. Thus, corporations will easily raise capital from foreign markets, while domestic institutions and small investors will have access to much of the coveted mix - in terms of risk and profit - of financial instruments, reducing the need for local capital markets.

As local markets become virtual electronic platforms, most economies in transition will choose to import capital markets services.

- ***Developing a basic infrastructure is essential***

Although the economies in transition can import the services of the capital markets, they still need to improve the infrastructure of the financial system, which includes better legal protection of creditors and shareholders, the publication of information related to the activity of the company's better quality and quantity, a higher quality of institutional investor management, support of public and private institutions.

The strength of the legal system and the quality of information determines the development of the financial sector - there is a direct relationship between the development of the financial sector and the economic development. Rather than trying to develop a costly capital market, rather, these countries should focus on institutional development as a whole, and in particular legal reforms. And these will facilitate access to global markets.
Although well-developed according to the standards of the economies in transition, the capital markets of Central Europe and the Baltic area are unlikely to remain independent. Due to the process of European integration, local capital markets will merge with European trading markets. Most of these countries have harmonized their financial legislation with that of the EU.
To the extent that there will be problems in their application, they will be overcome as corporations will increasingly use external jurisdictions to define ownership. These countries have completed their privatization and post-privatization process with changes in shareholder structure and need capital markets to raise new funds and strengthen corporate governance, but both can be achieved through global markets.

Conclusions

Globalization is such a complex phenomenon that it cannot be decided as clapping if it is more beneficial than evil. The advantages are all the more difficult to weigh as the phenomenon engages the most diverse areas of contemporary reality.
In essence, it is considered that the process of globalization and globalization remains a dynamic and powerful force for economic development and growth, in the sense that it can improve the overall performance of the economies of developing countries by increasing the export markets, by promoting the transfer of information and technology, by increasing the resources available for investments. At the same time, globalization offers the opportunity to expand the world market, the commodity trade between states being stimulated by the creation of different free trade areas or economic communities and offers the possibility of producing and marketing a diversified, increasingly complex and more varied range of goods, from a national to a global dimension, in accordance with the demands of technological progress and consumer requirements.
Against this background, there is a major trend of modern society, that of gradual reduction, until the disappearance, of all the categories of barriers that impede the exchanges and the movement of goods on a world scale, respectively.
In the current context, understanding of how the international financial system works, the basic components of this system (money - currency markets and capital markets, financial intermediation institutions), the instruments used by the operators in this system, but especially the financial system. the behavior that underlies the allocation of financial resources are essential conditions for sustainable economic development.
To ensure a dynamic financial balance at international level, economic globalization must be governed, in its effects, by redefining the links between the monetary-financial system and the world economy. The result of the dynamics of the globalization phenomenon can only be a new world economic order, in which, however, they must be "reinvented" or "adjusted", from a functional point of view, the role and position of each category of national economy in the international economic and financial system.

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