Globalization Effects in the Republic of Croatia

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Abstract: Globalization processes create new organizational, economic and many other changes within society. There are many positive and negative social effects, and globalization is treated as an important part of the new world order and as a way of adapting and promoting new social values. It is increasingly turning into a new concept within the action of social relations as it encourages the opening of a new era of development. Under the influence of globalization, new directions of economic development in Croatia have been opened and this is an important scientific issue. There are numerous benefits of globalization and differences in speed and approach have often been driven by regional trends, policy opportunities and economic factors. Croatia has a continuous and constant development of globalization parameters measured according to the KOF globalization index with occasional turbulent periods that resulted in short-term declines in correlations. The Covid-19 pandemic has turned into a major disaster for the global economy and it is clear that the further development of global relations will take some new dimensions. This paper aims to establish the correlation between the globalization effects and related integration processes in the world with the detection of the situation in the Republic of Croatia. The scientific contribution is manifested through knowledge of the laws that govern globalization processes and inclusive forms of their further development.

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1. INTRODUCTION

The Covid-19 virus has turned into a major disaster for the world’s global economy. The health aspect of the Covid-19 virus is reflected in the global economy threatened by an acute global economic crisis. The pandemic has brought about many diplomatic disputes related to the exact origin of the COVID-19 crisis (Dingel and Neiman, 2020). The issue of free trade and movement of people, especially in EU countries where national governments have given priority to their citizens and some European Union countries have turned their backs on each other by closing their borders and cutting off almost all interactions, and closing borders is the biggest blow to globalization. The EU has already failed the exam in the migrant crisis by closing the borders of nation-states. The fact that trade volumes fell much less than expected and then began to rebound quickly reflects the fact that the globally interconnected economy helped in dealing with the corona epidemic. Regardless of the forces of geopolitics or the desire of executives to increase their perceived control by re-localizing supply or bringing it in-house, the principles of comparative advantage enunciated by David Ricardo still apply (Rathke and O’Connell, 2020). The Covid-19 virus pandemic has caused companies and industries to review their supply chains and branch operations and calculate risk factors based on emerging costs. Given the complex implications of “peak globalization”, companies will need to plan for a new order; one that is likely to be characterized by tariffs and other trade barriers, more rigorous legislation, greater exposure to overseas direct investments to political and trade credit risks and increased restrictions on movement between countries, all with important implications for their labor force (Freely, Kay and Macy-Dare, 2017). There were two major crises in this cen-

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2. METHODOLOGY

Globalization processes is a current topic that aims to analyze the state of affairs today. The paper gives a brief overview of the concept through the analysis of economic, political, cultural and social features with the help of the KOF Globalization Index. Special attention is paid to the importance of the activities of the globalization process through the prism of the Republic of Croatia today as an EU member which is a generator of many changes. We are all stakeholders and are viewed as active determinants of the concept. The paper is based on a systematic analysis of previously published relevant international scientific papers in the field of globalization, international and political economy. Methods of time feature analysis and KOF globalization index of a given topic with implications of influence on further development through the applied aspect were used. The deduction method was used in concluding the importance of globalization influences in order to establish the multiplicative effect of positive changes on society as a whole.

3. DEVELOPMENT OF GLOBALIZATION PROCESSES IN THE WORLD

The process of globalization can be viewed as the socialization of labor and the development of productive forces. Answers to questions related to the concept of globalization and the concept of integration, as well as their solution, can be given only if the essence and phenomena are considered in the totality of social relations. The development of individual economic systems...
and new forms of economic flows in the sphere of globalization has opened various questions, which has set a new form of economic influence at a higher level. Globalization has made the most significant progress in the freer flow of capital. The modern financial market is immeasurably more important than trade in goods, it is about two thousand billion dollars that circulate daily between individual stock exchanges, banks, monetary institutions (Jovančević, 2005, 9). Depending on the strength of the policy pursued by developed countries as dominant over less developed economies, the exploitation of individual regions was very successful and was defined as economic benefit, with unclear economic consequences. All this happened because international mechanisms for controlling the development of the economy at the global level were not established (Hardin, 2008, 163). It happened that some countries did not achieve the desired direction of their economic development. Under the influence of newly established international organizations, such adverse events are decreasing, and the further successful operation of economic organizations is constantly monitored. Depending on these processes, the specifics that significantly affect further economic development as well as the negatives that hinder further development should be analyzed. Economic development has gone through several stages, but its specifics still need to advance. Many changes in supply and consumption are expected on a global scale to expand consumerism and availability, all of which will stimulate new user needs and contribute to the development of industry and new technologies. In addition, the new situation with the COVID-19 pandemic will largely determine the further course of the development of the economy, and it has already left great consequences that have affected the supply chains.

Financial globalization can be looked at from different aspects: as internationalization which is an easier way to access foreign capital, then international credit activity with international diversification of portfolio capital with significant reduction of common risks, cheaper and more efficient services of national financial institutions, but also as a creation of a better and more stable national financial system and financial infrastructure. The higher level and speed of the financial process do not lead to greater systemic business risk because various problems are reflected in the stronger influence of institutions on the national market and this is not desirable. In such cases, the state itself, as the most important regulator on the national market, may fail and not perform its legal role as determined by legal acts, and thus fails to ensure the stability of its financial system. This situation results in excessive risk-taking on the part of national institutions, all of which threatens the entire national financial system. Too much international competition can negatively affect national or local relations and put them in a subordinate position in relation to foreign ones. Foreigners operate only in those segments that benefit them, and this is achieved through the outflow of national capital (Čečuk 2002, 191).

4. GLOBALIZATION RELATIONS AND INTEGRATION PROCESSES

The beginning of the emergence and functioning of globalization as a new economic system have not been historically determined and some of its initial activities can be detected in various geopolitical processes. There is a need to integrate economic systems and harmonize the economic systems of individual members in order to speed up and facilitate the frequency of circulation of goods, people, capital and information. Today, when a new social, sociological and economic space is being created, the process of globalization and integration provides guidelines for further development. It is an extended form of the full economic integration of member countries. It brings together all the essential components of economic life, including the fiscal and monetary spheres, as well as elements of social security. Decisions here are no longer made by consensus as in the first forms of integration but by a majority vote. The Union is thus taking on a form of “su-
pranational” character. It also constitutes appropriate bodies and authorities that have social and political characteristics in addition to economic ones. All these active processes cannot be viewed separately, but integrally as an organizational and functional whole. Although many integrations were formed long before the first formal beginnings of globalization, today they are developing in parallel with it. Considerations on globalization are based on three principles of the operation of general globalization processes, reflection on real globalization processes and the connection between globalization and integration processes (Andrews, 2005). Today, there is almost no continent on which, apart from smaller ones, larger and even large integration formations have grown up. Among them, the most prominent are: the European Union; European Free Trade Association (EFTA); Economic Community of West African States (ECOWAS); Latin American Economic System (LAES); Pacific Economic Community (PEC); North American Economic Community (NAEC). In addition to these and similar economic integrations, there are many other partly specialized integrations of world importance: alliances, communities, institutions, etc. Among them are: the Organization for Economic Cooperation and Development (OECD); the International Monetary Fund (IMF); the International Bank for Reconstruction and Development (IBRD); United Nations Conference on Trade and Development (UNCTAD); Food and Agriculture Organization (FAO) and many other specialized international organizations. The world’s strongest universal integration is the United Nations with a large number of its organizations and those associated with it, which are of great importance for the overall integration processes in the world.

In order to understand the processes of globalization, it is necessary to understand the political and economic processes that took place during the twentieth century. Without entering into the geopolitical polarization of development, but only into the current contemporary processes of globalization, it is impossible to avoid not mentioning the stability of geoeconomic history. Researchers of global development accept the permanence of political and economic logic within the world economy which has significantly influenced the development of the connection and interrelationship of social development. The connection between globalization took place in close connection with geoeconomics and geopolitics, but the economic situation in the world has not changed much, unlike the political one. The transfer and accumulation of wealth took place for the most part one-way, from underdeveloped to developed countries, which was compared to a new form of colonialism. The economic strength of developed countries and their superior relationship allowed them to dominate. Characterized as economic exploitation, economic benefit with imprecise non-economic consequences is defined. The meaning of integration is to connect and unite the economic functions of economic organizations or parts or entire national economies into a single unit (Dragičević 1991). Due to the lack of control mechanisms in the development of the economy in less developed countries, the strategy was questionable and regularly undefined. Some countries deviated from the desired direction of development. Today, the situation has changed significantly, and actions have been placed under organizational and functional principles and control. The development of globalization processes encourages (Zoellick, 2004):

− development of highly developed organizational, economic and business connections,
− development of directed processes,
− development of full, integrated and global capitalism,
− creates social compression,
− creates dependence or determinism.

Globalization today is said to be a comprehensive and inevitable process as it touches on political, geographical, spatial and organizational all the way to social and legal regulations. Globalization is born from the desire to select from the inventory of cultural and other elements
that make up a particular identity those that are considered original or original features of a particular group or space and to combine with those that are considered global. Thus, the process of glocalization eliminates the fear of losing one’s own identity (Kalapoš, 2000). With the influence of media and technology “the world has shrunk”, and human tastes have leveled off, creating a single global market dominated by the world’s most successful brands. Technology is turning the world towards the unique and unison, and it no longer matters what race, religion or culture we belong to. The processes of globalization include and affect the globalization of culture. The fact is that culture strongly connects individuals and groups. It is often pointed out that culture has a specific spatial pattern because language is an important factor. Globalization has no borders but culture on the other hand has them. Since the 2000s, the degree (index) of globalization in the world has been determined, covering as much as 85% of the world’s population. The globalization index shows the degree of development.

To measure globalization, different indices are used. The KOF Index Globalization, The World Market Research Center G-Index and A.T. Kearney / Foreign Policy Magazine Globalization Index. The AT Kearney / Foreign Policy Globalization Index tracks and assesses changes in four key components of global integration, namely trade and financial flows, the movement of people across borders, international telephone traffic, Internet use, and participation in international treaties and peacekeeping operations. The KOF Globalization Index is a complex index that measures globalization with an economic, social and political dimension for almost every country in the world on a scale from 1 (least) to 100 (most globalized). The World Market Research Center G-Index is primarily an economically based index with a calculation percentage of 90% while the remaining 10% is dedicated to technology more specifically telephone traffic and the number of internet hosts of each account by 5%. In addition to the above categories that examine the process of globalization, the level of development, organization, investment benefits and the like are determined for each country. This determines the flexibility of individual economic and political systems in the country concerned as well as investment opportunities in its economy. The quality of social resources and geopolitical risk is also involved in this process. Experience to date in researching the globalization index in Europe shows that there have been some changes in Europe, including economic and political transformation. In Eastern Europe, the Czech Republic has the highest attractiveness index. All countries have an ever-growing curve, and in this respect, Croatia is following an affirmative trend, but it has not yet positioned itself enough. Slovenia has a dominant position in the region. The further process of globalization development is accompanied by deterritorialization and reterritorialization, which are important indicators and factors within the development of spatial structure and other changes that take place according to the territorial principle.

5. KOF GLOBALIZATION INDEX IN THE REPUBLIC OF CROATIA

The KOF Globalization Index measures the degree of globalization according to economic, social and political parameters. According to IMF’s yearly report, economic globalization refers to the flow of money, capital and transactions, real flows (trade, FDI and portfolio investment) and constraints (hidden barriers). Social parameters include accessibility and flow of information (use of the Internet, newspapers), interaction with people from other countries, and cultural similarities (McDonalds, Nike, IKEA). Political include implementation in international politics and relations and the Failed States Index (vulnerability index). The base year of observation is the year 1990, when the Republic of Croatia gained independence and thus positioned itself on the world map. The Globalization Index for Croatia for 2020 was 81.19 points. Figures 1 and 2 show the KOF Globalization Index for Croatia from 2011-2018.
According to the index of globalization of economic indicators, there is a continuous growth with several turbulent phases that result from socio-political changes or the impact of world events. In the 1990s, Croatia was affected by the events of the war, which directly affected the decline in the implications of the applied globalization parameters. The next negative trend was recorded at the beginning of the new century under the influence of recessionary effects which were reflected in Croatia. The transitional economy such as Croatian was significantly slower to recover and systematize than those of more powerful in terms of volume.
According to the political indicators, the globalization index is growing continuously with a few minor turbulences. They are related to the effects of independence, the creation of the new state and the transition to capitalist social relations of Western settings. The end of the 1990s and the beginning of the century for Croatia means intensive integration into all important world organizations and the creation of preconditions for joining the EU, which finally happened in 2013. Croatia joined the World Trade Organization in 2000. The IMF in 1992. Negotiations between the Croatian authorities and EU representatives on accession began in 1995 when the first meetings were held. The technical negotiations under the Trade and Cooperation Agreement included three important agreements: the Trade and Cooperation Agreement, the Transport Agreement and the Coal and Steel Agreement. Great efforts are continuously made in integrations, which is supported by the graph curve.

![Figure 4. Index of globalization according to political indicators](source: KOF-The global economy)

The index of globalization according to social indicators shows continuous growth since independence with minimal turbulence that is similar to those of a political nature. Croatia is systematically developing and following the trends of positive social and cultural indicators and has always strived for the values of the achievements of Western European society.

![Figure 5. Index of globalization according to social indicators](source: KOF-The global economy)
6. CONCLUSION

To successfully understand modern globalization processes, it is necessary to study the development of social, political and economic processes that took place during the twentieth century. Globalization itself is a process developed in close connection with geoconomics and geopolitics. Today, we view Croatia as a sovereign part of these processes and measure global effects. Every social action is a reflection of the interests of certain social influences. In today’s modern society, all interests and conflicts are economically motivated and interesting. The successful use of world achievements and the effects of globalization while limiting the excessive power of world financial institutions and multinational companies as holders of the largest capital would be ideal. The methodology in the analysis of this paper is the analysis of economic, political, cultural and social characteristics with the help of the KOF Globalization Index. The scientific contribution of this paper is evident in the presentation and analysis of contemporary trends related to globalization and integration activities as the starting point of all contemporary economic trends in the modern world and positioning Croatia as an integral part of the system.

REFERENCES


