Chapter 2

Economic Globalization and Aspects of Human Resource
Globalization is not just a recent phenomenon. Some analysts have argued that the world economy was just as globalized 100 years ago as it is today. Yet the term is used since the 1980s, reflecting technological advances that have made it easier and quicker to complete international transactions, both trade and financial flows. The most striking aspect of this has been the integration of financial markets made possible by modern electronic communication. At a political and economic level, globalization is the process of denationalization of markets, politics and legal systems, i.e. the rise of the so-called global economy.

Globalization refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity (village markets, urban industries, or financial centers). It means that world trade and financial markets are becoming more integrated. But just how far have developing countries been involved in this integration? For
developing countries the process of catching up with the advanced economics differed in intensity from region to region.

In some countries, especially in Asia, per capita incomes have been moving quickly toward levels in the industrial countries since 1970. Other developing countries have made only slow progress or have lost ground. In particular, per capita incomes in Africa have declined relative to the industrial countries and in some countries have declined in absolute terms. At a business level, globalization when companies decide to take part in the emerging global economy and establish themselves in foreign markets.

First they will adapt their products or services to the customer's linguistic and cultural requirements. Then, they might take advantage of the Internet revolution and establish a virtual presence on the international marketplace with a multilingual corporate web site or even as an e-business. Overall, globalization requires a combination of linguistic, engineering and marketing knowledge that is not easily available. Globalization is linked to four major aspects:

— *Trade:* Developing countries as a whole have increased their share of world trade from 19 percent in 1971 to 29 percent in 1999. The composition of what countries export is important. The strongest rise has been in the export of manufactured goods. The share of primary commodities that are often produced by the poorest countries, has declined.

— *Capital movements:* Private capital flows to developing countries increased during the 1990s and their composition has changed. Thus, direct foreign investment has become the most important category.
— *Movement of people*: Workers move from one country to another partly to find better employment opportunities. Thus there is a transfer of high-skilled workforce towards industrialized economies.

— *Spread of knowledge* (and technology): Information exchange is an integral aspect of globalization. For instance, direct foreign investment brings not only an expansion of the physical capital stock, but also technical innovation. More generally, knowledge about production methods, management techniques, export markets and economic policies is available at very low cost, and it represents a highly valuable resource for the developing countries.

Economic "globalization" is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term refers to the movement of labor and knowledge/technology across international borders. There are also broader cultural, political and environmental dimensions of globalization.

Driving factors of globalization can be divided in four groups:

— **Market Drivers:**
  — convergence of per capita income
  — convergence of life-styles
  — organizations' behavior as global customers;

— **Cost Drivers:**
  — push for economies of scale
  — advances in transportation
— emergence of newly industrialized countries with productive capability and low labor costs;

— Competitive Drivers:
  — growth of global networks making countries interdependent
  — rise of new competitors intent on becoming global competitors
  — increased formation of global strategic alliances;

— Government Drivers:
  — reduction on tariffs and other trade, barriers
  — privatization of industry in many parts of the world
  — creation of trading blocks (i.e. EU, NAFTA, AFTA)

In the face of the recession of the 1990's, the dominant economies and especially the United States of America (USA) intensified the restructuring of their capital so as to make it more competitive, and to attempt to surmount the limits of the world market. That entailed, among other things, the introduction of new technologies in production (spread of computers and information technology), the creation of large industrial entities through vast mergers, the liquidation of outmoded sectors, all resulting in a dynamic of integration of industrial sectors and capital, as well as an unprecedented interdependence.

That movement of globalization accelerated the merger of business giants combining their forces to become titanic entities that operate on a global scale, or the establishment of control by a capital entity over sectors sometimes far removed from their own sphere of
production. That qualitative leap in the process of globalization means that industrial production is now spread out across the world, it is delocalized so as to take advantage of the tax breaks in one country, or the low wages in another, or the central geographical location of a third.

All these imply the creation of structures of supranational administration, suitable to the functioning of a globalized economy. This, economic and political reorganization has changed the face of world capital and production. Markets promote efficiency through competition and the division of labor, the specialization that allows people and economies to focus on what they do best. Global markets offer greater opportunity for people to act on more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all.

Countries must be prepared to embrace the policies needed, and in the case of the poorest countries may need the support of the international community.

Impact of Information and Communication Technologies

New information and communications technologies are driving globalization, but also polarizing the world into 'the connected' and 'the isolated'. Costs of communications plummet, innovative tools are easier to use, so that people around the world use the Internet, mobile phones and fax machines. The fastest-growing communications tool ever, the Internet had more than
140 million users in mid 1998, a number expected to pass 700 million by 2002. For businesses the development in this field has an important impact on costs, which have a decreasing tendency. Thus global enterprises will be willing to locate their important activities in those countries where opportunities are best in order to increase their coin petiteness to be able to enter the global marketplace and face global competition. In the future, the Internet will be used for web based training and for recruitment purposes.

Communications networks can foster great advances in health and education. Information and communications technology can open a fast track to knowledge-based growth, as the one followed by India's software exports, Ireland's computing services and the Eastern Caribbean's data processing. Despite the potential for development, the Internet poses also problems of access and exclusion, creating parallel worlds.

During the last fifty years there were signed many regional agreements for the liberalization of the relationships among national states and consequently of national enterprises. Regional economic integration refers to geographic arrangements among countries to remove barriers on trade in goods/services, to investment, and to remove barriers to the free flow of resources between each other. The worldwide known trade agreements are NAFTA - North American Free Trade Agreement, APEC - Asia Pacific Economic Cooperation, MERCOSUR - Latin American Free Trade Zone, AFTA - South-eastern Asian Free Trade Agreement, CEFTA - Central European Free Trade Agreement, EU European Union. Specialists argue that in the era of globalization the world tends to escape from the control of national states. In this sense, the
Israeli sociologist Dror mentioned for the first tithe the idea of a "global governance" within the scientific talks of the Club of Rome.

Nowadays, indeed, cooperation agreements get a global dimension, as cooperation between different regions is developing. Studies pertaining to the impact of regional integration reveal the goals of adhering to regional unions: not necessarily great commercial performances were expected, but rather the possibility, the chance to capitalize the opportunities offered by the opening of certain markets and technological innovations.

Issue of Unemployment

Conventional economic wisdom deals with the labor-market in a way that it is common to any other commodity: within the labor market a proper labor price (wage) has to equalize the demand for labor with the labor supply. As in any other market, the occurrence of disequilibrium - which in this case means unemployment can be avoided by price (wage) flexibility which can always clear the market. In this framework, unemployment is always voluntary, since it depends on the wage viscosity: workers and unions do not accept a wage decrease and so unemployment persists. The issue of unemployment is a theme which raises concern on the part of governments and citizens, especially because it is an aggravating factor in the process of deepening inequality and social exclusion.

Even the developed countries are not immune to the problem of unemployment. Among OECD member countries, unemployment rose by a factor of three between 1970 and 1992, according to data published in a
1993 UNDP Report on Human Development. And as a consequence of migratory movements, the problems of unemployment, both in the North and in the South, began to interconnect more clearly. Because they feared the situation would worsen even more, countries in the North began to "react" to the process of globalization. Technological innovations represent the major factor for profit differentials and job opportunities in the global markets.

Innovations in general are capital intensive and require huge investments of intellectual capital. But in the context of global competition already wealthy organizations can afford to do high investments in the field of research and development (R&D), so that innovations deepen even more the gap between the quality of jobs (as there are higher requirements for education, skills and better payment) in the core countries and the periphery of the global economic system.

The tensions in the global labor markets will be sustained and strengthened as there can be noticed the growing concentration of knowledge-based economic activities in "global cities" with the simultaneous marginalization of work force and declining job opportunities in the global "rural areas". In industrial countries the labor market knew an accentuated dynamics: there could be noticed a diminution of the workforce occupied in the primary economic sector (agriculture and mining industry), also from the second sector (production) in parallel with the increasing of new job possibilities in the third sector (services) and in the field of scientific research and information technology.
Another important trend in labor markets especially in advanced economies has been a steady shift in demand away from the less skilled toward the more skilled. This is the case however skills are defined, whether in terms of education, experience, or job classification. This trend has produced rises in wage and income inequality between the more and the less skilled in some countries, as well as unemployment among the less skilled in other countries.

The dynamics of technological innovations and market fluctuations bring new patterns of work organization and employment. In order to understand why unemployment represents such a serious problem, we should get familiarized a little bit with the different concepts of unemployment during the last centuries, when brilliant economists changed with their theories the way of analyzing the economic environment. The notion of unemployment is quite old.

Thus in France, in the census of 1896 the status of an unemployed person was for the first time mentioned. For the English classical economists at the end of the 18th century labor is a good like any other that is object of exchanges taking part on a market, so that its price is a function of supply and demand. Only in the case that these two dimension do not correspond, unemployment will appear. In fact the neoclassical theory accepts or recognizes only two reasons for people being unemployed: the voluntary and the transitional unemployment.

People who wanted to work, could find a job, as the labor market fulfilled the conditions of transparency and flexibility for full employment. In the beginning of the 20th century, John Meynard Keynes developed a new
theory regarding the mechanisms on the labor market and unemployment. He tried to explain the connection between the demand of goods and services on the commodity market and its effects on the labor market. If an enterprise has many orders to fulfill (that means that the demand on the commodity market is high) it will employ more people and will also pay higher wages. According to Keynes, unemployment is an eminently involuntary phenomenon and is fundamentally determined by the level of the effective demand, on which wages have little influence, but which can be influenced by the intervention of the state through public investments, tax reduction and increase of household income.

The criticism of Keynesian views and policies developed since the 1970s has turned into a new orthodox perspective where a "natural rate" of unemployment is accepted, set by the structure of the economy and labor supply and a "non-accelerating inflation rate of unemployment" (NAIRU) is defined as the rate after which a reduction in unemployment has the effect to increase prices. The focus is therefore turned on the functioning of the labor markets; the fear that an active demand policy might start off inflationary pressures is the main reason for abandoning traditional Keynesian policies. Obviously, labor market mechanisms and demand factors, as well as technological change and the structure of the economy, all contribute to the explanation of the current unemployment problems.

However there is no conclusive evidence on whether unemployment is mainly linked to labor market conditions or is resulting from insufficient demand. The rising problem of unemployment was quite easily solved
by the colonization of poorer people and the emigration of the exceeding population towards lowly populated territories. The Informational Revolution goes further by reducing the dependence on our senses (ears, eyes, brain) and hence increasing the level and dynamics of issues as unemployment, inequality, social exclusion, linked to the labor market. This new technological revolution demanded changes also on the level of the work organization, characterized by flexibility and a higher degree of knowledge (interdisciplinary education in order to be more flexible, to have the ability to adapt to the changes in the different fields of economy).

If primary capitalism relied on the exploitation of labor, nowadays it relies on the exploitation of responsibility. This is that in the past the employees of an enterprise contributed to the effective realization of production, whereas nowadays their role, their function within the organization changed radically. They contribute directly to the company’s financial results, as there was a passage from the simple processing of operations towards participation and division of responsibility.

This development was the consequence of the changes that occurred in the world economy in the time of economical globalization that has major effects on the labor market. Unemployment and the loss of jobs in developed countries is quite commonly associated with globalization. The main arguments that the impact of globalization is negative are following:

— The effect of de localization: multinationals have exported jobs from developed countries to developing countries through foreign investments and outward production in special economic zones
— Through trade liberalization, governments have encouraged the replacement of domestically produced goods with goods produced abroad. e.g. The mining industry from the Ruhrgebiet in Germany received subventions so that the price of German charcoal could compete with that of American coal. Nowadays these subventions were reduced, so that the price of German charcoal is almost 60% higher than that of American. Under these circumstances, the German mining industry has lost in efficiency and has to be restructured.

— The increased application of technology, especially in globally operating companies, can reduce the use of and dependence on labor. This affirmation is quite disputed. On the one hand it is said that due to technology tasks are cut, but it allows on the other hand to create new jobs or at least reorganize one's working time increasing efficiency.

An opposing viewpoint, set by the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD), is that globalization (e.g. through foreign investment, trade, new technology and liberalization) contributes to growth, which is the key to employment. Unemployment, it is argued, would be mainly due to governments' failure to adopt sound macroeconomic and labor market policies. The changes occurred on the labor market had no major effects on the global unemployment but rather on national level.

In order to reduce the threatening phenomenon of unemployment, there is a tendency towards part-time or temporary work. These trends of rationalization of work organization and employment come at the expense of the
less educated and trained segments of the workforce; these are likely to remain long-term unemployed, as global restructuring is moving the labor force from one sector of economy to another and they are not flexible enough to cope with the new situations. It would be wrong to assume that developed countries are less affected by the problem of unemployment.

Among the OECD member countries unemployment rose by a factor of three between 1970 and 1992, according to data published in a UNDP Report on Human Development. Unemployment is fundamentally a so-called "house made" phenomenon, regardless whether it has cyclical or structural causes. Structural unemployment is an extremely serious problem which emerges because the labor supply in a region, a certain economic field or for a specific qualification can not be adapted to the work demand. It can also be the consequence of the loss of competitiveness of certain sectors of the economy which were formerly protected by tariff or non-tariff barriers and the enormous productivity gains per work unit. It is true that crises in general cause a decline in the demand, so that indeed one can argue that globalization contributes to a certain extent and temporarily to the emergence of structural unemployment.

However, the real sources of unemployment are to be found either in a weak aggregate demand or on the side of labor supply. Long-term unemployment is one of the most persistent, and in quantitative terms, serious social issues facing many industrialized economies. In Spain, for example, the unemployment rate is one of the highest within the EU-15, but the real problem is represented by the high percentage of the long-term
unemployment, as share of the unemployment rate. This means that half of the unemployed persons were looking for a working place, but they did not find any new job and the probability they would find one in the near future is quite low. Nowadays, when education and qualification are key factors on the labor markets, the low-qualified that loses his job has less chances to get a new one, comparing to his higher-qualified neighbour.

Nowadays it can be noticed that long-term unemployment as share of total unemployment is growing. In the past there were practically no long-term unemployed persons, at least not involuntarily. Nowadays, with the development of technologies and the increasing request of high-skilled, experienced workforce it becomes more difficult to find a new workplace. Especially if one does not dispose over some competitive advantage, such as higher education skills, qualification that are the key factors on the labor market of our days. Thus unskilled people are more likely to have to quit the labor market may be sooner and even unwillingly.

Compared to the early 1970s, unemployment rates are now higher in almost all developed countries. In the 1990s, overall unemployment in OECD countries rose from its already unacceptably high level, the number of unemployed persons being 36 million. Especially grim have been developments in Europe. In OECD countries in North America and Oceania, unemployment rates remained under the average OECD unemployment rate though they increased slightly, yet less than in Europe in recent years,. In Japan, the unemployment rate has traditionally been much lower than in other OECD countries, but it started to rise in 1992.
By the end of the year 2001, unemployment in the OECD as a group decreased to 6.8%, while it rested quite high in European OECD countries. In Eastern Europe unemployment averaged 11.8%, while the European Union average was 7.7%, lower than in the Euro-zone. Compared to most developed countries, which experienced a steep rise in unemployment in the early 1990s, the developing countries in APEC (the Asia-Pacific Economic Cooperation) have maintained very low unemployment on a consistent basis.

Most workers who lose their jobs due to liberalization will find new employment opportunities, but there is typically a period of active search before such opportunities are found. Indeed, some workers may find that they have to re-tool before qualifying for employment in growing sectors. At the other end of the spectrum, some workers with little training and little innate ability may find themselves facing employment prospects so bleak that they choose to exit the labor force.

Delocalization

The transformations in the "area of the global technology" are remarkable. The changes in the communication field made it possible for multinational enterprises to create the premises for the technology transfer from one country to another. Thus it was possible for them to export not just know-how but also jobs in regions that offered the best opportunities in order to produce very cheap. Globalization implies the phenomenon of de localization, that means that resources are requested and transported from a place to another on the earth depending on the convenience. This wouldn't be practicable without the increasing transparency of the markets all over the world due to the possibility of quick communications.
By the way, it can be noticed how informatics' techniques make delocalization of virtual work possible, moving it quickly from a zone to another in the world, always following the mechanism of demand and supply and price. In this case the function of internet is not just to make information pass from companies towards the workforce but has an effect on determining and reinforcing work demand. Thus we could say that the Internet offers the necessary premises for a virtual global market. At the same time, the number of Internet hosts continued to climb, growing by 44 percent in 2000.

Yet this expansion was substantially slower than in earlier years and about one-third less than the explosive growth in 1999, a boom year for Internet-related businesses. In part, this slowdown reflects the downturn in the dot-corn economy, but it may also have to do with saturation in some key markets. The consequence of the liberalization of the world trade was that commercial relations among corporations intensified and multiplied. As a consequence of the learning effect and product standardization, productivity could be increased and influenced thus the level of salaries and wages.

But despite the increasing level of FDI and the progresses in technology, that made it possible that the benefits issued by the capital rose by more that 50 %, the real wage income knew a small increase of circa 2 %. Analyzing this relation it becomes obvious that labor as a source of wealth becomes cheaper and capital more expensive, as the globalization process is characterized by the augmentation of the "labourless" capital productivity.

Export Processing Zone (EPZ)

When you buy a pair of trousers or of sports shoes, a
beautiful dress, a CD-player or calculator, there are chances that the item was made in an export processing zone (EPZ). In EPZs many other goods are made by enterprises operating under a special legal regime governing the establishment and running of certain export-oriented companies. The term "zone" gives the impression that the reference is to a clearly defined territorial area. However, this is not always the case. Governments have different arrangements for granting EPZ-type privileges. Some give them only to companies located in territorial enclaves separated by walls or fences from the rest of the country. Others, such as those in Barbados and Mauritius have no zones. The advantages are granted to companies producing mainly for export, regardless of where they are located.

There are countries (Costa Rica, Cameroon or Sri Lanka), which have enclaves as well as a system of granting EPZ status to export-oriented companies operating outside of those limits. Also the economic and social importance of EPZs varies considerably from country to country. EPZs are special economic zones (SEZ), defined as a delimited geographical area in any part of a country, which benefits from special investment-promotion incentives, including exemptions from customs duties and preferential treatment with respect to various fiscal and financial regulations.

*Multinational Enterprises in Export Processing Zones*

Most export processing zones were originally set up to promote exports and employment, and little attention was given at the time to the social problems posed by EPZs, to the role played by MNEs or to the backward linkages of EPZs with the local economy. EPZs give
entrepreneurs the opportunity to internationalize their operations by locating the labor-intensive production segments of their global commodity chain or service activities offshore.

Countries with large supplies of labor that is relatively low-cost regardless of the levels of skills and qualifications, are the best candidates for such industrial relocation. The share of the manufacturing employment in EPZs reaches high levels. The greater the share of EPZ employment, the more sensitive the host country will tend to be to the role played by MNEs and the social conditions in EPZs. Contrary to a widely held belief, MNEs are not necessarily the largest or at least the only investors in EPZs.

Fully-owned foreign affiliates represent only a minority of the enterprises in EPZs, and joint ventures a small majority (circa 38%). One of the major characteristics of EPZs is the emergence of investors from Third World Countries. These Third World MNEs account for between 16 and 22 per cent of all foreign investors in EPZs.

There are several considerations for the reasons governments are promoting the establishment of EPZ. One of these is job creation, particularly in depressed regions. In fact, there are governments (e.g. Costa Rica) that even offer added incentives to encourage investors to set up factories in relatively less developed parts of the country. Another cause for sustaining EPZs is the need to attract foreign direct investments (FDI) in export-oriented industries.

As multinationals from industrialized market economy, countries and small and medium-sized enterprises (SMEs) from dynamic Asian economies
invested offshore, this need has been largely achieved. Not to forget about joint ventures with local enterprises which are also fairly widespread. Related to this, is the desire to increase foreign exchange earnings and promote exports. The progresses achieved in this sense are quite impressive. In some developing countries which previously depended on the production and export of one or two agricultural or mineral commodities the manufacturing-led economic diversification was well-established.

Finally, domestic governments of countries where there are EPZs have the expectation that the production technologies and organizational know-how introduced by foreign investors would contribute to the upgrading of workers' skills, in order to increase the wage level. That will lead to the augmentation of the purchasing power.

Thus the aggregate demand would augment and have a positive effect on employment and on the economic growth of the host country. Governments of host countries are convinced that the presence of efficient foreign enterprises would have a demonstration effect on indigenous firms and that positive technological spillovers would be facilitated by the fostering of linkages between foreign and local enterprises and industries. The experiences with EPZs have been mixed, as they were introduced in countries with very diverse political and economic settings.

There are countries that have realized at least some of the goals, but there are others in which the offer of low-cost labor, generous concessions and enclaves with modern facilities have not outweighed other economic and political factors that have made potential investors wary of either setting up or expanding business. The
biggest dissatisfaction is when it comes to skill formation and linkages with local industry, because the expectations of most host countries are still largely unfulfilled.

Job Creation

The number of EPZ locations worldwide has grown very impressively since 1960, when the first modern zone - the Shannon Free Trade Zone in Ireland was established. In 1970, there were ten host countries; by mid-1995 there were about 110 EPZs in at least 70 countries, and hardly a month goes by without the government of yet another country announcing its interest in either setting up or expanding such zones. If there is one field in which EPZs have had indisputable positive effects on some host economies, this is unquestionably employment.

In the period between 1975-1986 there were created around 750,000 jobs by EPZ industries. Of the approximately 1.25 million jobs created in the EPZs between 1970 and 1986, approximately 850,000 can be attributed to MNEs. In 1965, Mexico, was introduced the Border Industrialization Program. Already one year later, there were 24 enterprises with more than 6000 employees. Ten years later 76,000 persons had jobs in the 455 enterprises in operation, and in mid-1995, there were over 2,000 plants with a total staff of around 610,000. Jobs in maquiladoras grew at an average annual rate of 13 % between 1983 and 1993, and they account for about 18 per cent of all jobs in manufacturing. Moreover, it is expected that some 200 more enterprises will be established, generating an additional of 50,000 jobs.

China has five special economic zones (SEZs), numerous coastal cities, economic and technological
zones and other districts governed by EPZ regimes. About 80 % of total committed FDI is destined for the coastal cities and provinces. The activities carried out are not all destined for export, like it is the case in other EPZs. This fact and the huge size of areas involved in the EPZ-industry set the Chinese experience apart from those of other countries. By the end of 1995 the number of foreign-invested companies was supposed to have reached the number of 220,000; the workforce in Guangdong was said to be about 10 million. In Shenzhen largest SEZ in Guangdong Province with an area of 327.5 sq. km.) there were at least half a million workers in 1992 - the most recent year for which comprehensive data are available. Definitely, the number must have risen significantly since that time.

In Africa, the largest number of workers in export-oriented enterprises are in Egypt, Tunisia and Mauritius. Four other African countries in which the zones set up during the early 1990s, have started generating some employment, are Cameroon, Kenya, Madagascar and Togo. Of these "newcomers", the most significant number of jobs created are in Madagascar, as the investments coming from Mauritius increased. In Mauritius labor is scarce and wages therefore high, so that investors were attracted to shift towards Madagascar. Although in absolute terms the number of jobs created may be quite impressive, the impact on joblessness at national level has been Much less.

There was only one exception in the case of Mauritius where the EPZ program made it possible to attain almost full employment in the 1990s after an unemployment rate of around 20 % in 1970. Therefore Mauritius is frequently cited as an example of outstanding growth of employment in EPZs. However, in
many host countries there are still double-digit levels of unemployment. On the other hand it could be argued that without the zones which have had noticeable employment effects the situation in a number of countries might have been much worse.

The two most important EPZ industries are electronics, and textiles and garments. Both in industrialized countries and in EPZs these industries employ a very high proportion of women. Between 1975 and 1986, some 200,000 new jobs have been created in the textile and garments industries of EPZs in developing countries, which is considerably less than the approximately 400,000 jobs lost in these industries in the OECD countries. Of these 200,000 new jobs, around 130,000 have been created by MNEs and could represent jobs relocated from the industrialized countries.

Very significant was the share of new manufacturing employment. Since 1970, over 60% of all new manufacturing jobs in Malaysia and Singapore have been created in EPZs. For the Dominican Republic, the corresponding figure is above 30%, and for Mexico around 20%. In Mauritius, the near totality of new manufacturing jobs can be attributed to EPZ industries. On the other hand, EPZs also generate jobs indirectly through the local expenditure of the wages and salaries paid to EPZ workers.

Working Conditions and Labour Relations

Wages, working conditions and labor relations are the three areas in which there has been the most criticism about the situation of workers in EPZs. EPZs are known as "zones of oppression", "links in the chain of exploitation" or "danger zones". A firm's decision to
invest in an EPZ is not determined only by the cost of labor, but also by such factors as the overall quality of the labor force and the political stability of the country and the region in which the EPZ is located.

But it is true that the labor cost is an important factor taken into consideration. How else could someone explained the fact that wages are extraordinarily low by international standards? It is true that wage level reflects generally the overall level of development of a country, but when these industries trade most of their output on the world market, wage levels become an extremely important element in the competitiveness of EPZ host countries relative to one another.

EPZ industries tend to be extremely competitive internationally as they combine the low wages of the host country with the organizational and technological advantage of the MNEs. Even more, it is still a question mark if this competitiveness is not further enhanced by the fact that EPZ industries do not meet certain basic rules and principles pertaining to the length of working time, night work for women, safety and health. And apart from that, the non-ratification by certain countries with important EPZ industries of a number of international labor conventions could stand as proof that their EPZ enterprises are in fact enjoying an unfair competitive advantage over the countries and enterprises that comply with these international standards.

Regarding the wage rates, not all countries have statutory minimum wages. In some countries, EPZ administrations either prescribe or recommend minimum wages (e.g. Pakistan, Sri Lanka and the United Arab Emirates), which may differ from one zone to another. Average monthly wages which generally include
bonuses, allowances and overtime pay, can vary widely within a given zone or EPZ host country.

The difference between the lowest and highest average monthly wage can be as little as 20%, as is the case in Panama, as much as 66% (e.g. China) or even over 150% in El Salvador and Kenya. However, for the most part, MNEs pay more than the minimum set by government or the zone administration, and in most countries average monthly wages are said to be higher in the zones than in other comparable firms. In its early days, an EPZ generally offers wages which are higher than other local wages. But, as the EPZ develops, the wage differential gradually decreases and after ten or 15 years, it is quite frequent that wages in EPZ industries are even lower than other local wages.

The majority of the MNEs and other enterprising operating in EPZs take into account and follow the principles of the ILO's Tripartite Declaration. As a result, generally working conditions in most EPZs are either similar to or better than those in comparable manufacturing enterprises in areas outside the zones. But there are also employers in export-oriented factories that have undesirable practices for their employees. Studies have revealed that it concerns either a minority of the firms in operation or firms originating from a specific region of the world.

For example, a research in Honduras, where 7,200 labor disputes in EPZ factories were recorded in less than three years, showed that the majority of those disputes involved foreign enterprises from non-OECD countries. In the other firms, workers, even without being unionized, were much better paid, they received adequate food and transport allowances and enjoyed
amenities and working conditions of a high standard. A contentious issue in EPZs has to do with hours of work, overtime and rest periods which are regulated either by the national laws or rules established by EPZ authorities.

But in some factories standards concerning normal working hours, shift work and overtime are not respected. Workers in EPZs usually work much more hours than workers in the highly industrialized countries, but the length of their working week is generally rather similar to that found in other industries. There are many casual workers, contract labor and workers with no job security because they have no written contract, so that they feel constrained to work overtime and double shifts, even when such requirements become excessive for fear of not losing their job.

Typical for EPZs is the high proportion of women in the workforce. In many host countries the EPZs have made it possible for women who are heads of households, for those active in the agricultural sector and school-leavers with very few job prospects, to find paid employment in industry. Employers prefer women in the production process, since it is believed that manual dexterity, patience and other "gender-specific attributes" make them more suitable than men for carrying out tasks that are repetitive and demand attention to detail. Women workers are preferred because they are considered less likely to press demands for better pay and working conditions (as they have little or no knowledge of, and experience with trade unions). But this supposition is not generally accepted.

Unionization rates in EPZ industries are supposed to be very low. The banning of trade unions in certain zones and the tensions surrounding efforts to organize workers
in others, have certainly heightened interest in labor relations in EPZs. Workers have difficulties in forming and joining unions of their choice for several reasons of legal, political and sociological nature. Workers may be prohibited from joining unions or engaging in any form of trade union activity (Bangladesh, Pakistan whereas in the Philippines there is only an express prohibition against strikes in EPZs). Sometimes this is the initiative of the government, whose aim is to create a more attractive investment climate. Even if it is allowed to organize trade unions, the requirements to be fulfilled by unions before they can be registered are very strict.

For instance, a union may need to have support from 50 per cent of the members of a bargaining unit in order to be recognized, otherwise its recognition is not granted without the absolute majority. This could be one explanation for the low percentage of unionized workers in EPZs. In order to exclude the possibility for joining other external workers' organizations some enterprises promote in-house arrangements such as "worker participation groups", "worker-management committees", "solidarity associations" and "company unions", which have little or no links with independent workers' organizations.

Above this, there is not a widely spread interest in organizing workers or becoming unionized, as such activities are perceived as an additional risk to job security. As a brief remark there can be added that the decisive factor for better pay and working conditions is not whether a firm has EPZ status, but whether or not workers are organized. It is a fact that unionized workers covered by collective agreements enjoy better pay and working conditions than those who are not, irrespective of where the enterprise is located (in EPZ or outside of it).
Internationalization of Production

EPZs could be considered as one of the first attempts of the internationalization of production. Multinational enterprises that are also operating in EPZ, were looking for areas that offered to them cost advantages. By operating in an EPZ enterprises take advantage of very low labor costs. What their own contribution was concerned, they had to come just with some capital in form of FDIs and improve productivity by means of technology as the workforce used in production process was rather unskilled. The experiences with EPZs have been mixed. Some EPZs have been much more successful than others.

In most cases, success cannot be attributed to a single cause as there are more factors influencing and determining the success of the export-oriented business (i.e. wage levels, political stability of host country, quality of workforce, etc.). The exclusive preoccupation with exports and employment promotion represent one of the keys to success for an EPZ. In the same time they are supposed to focus on regional development, social policy or the promotion of technological development. On the one hand, since EPZs are fully export-oriented (with few exceptions; e.g. China), firms operating in EPZs are not competing with local enterprises and therefore can not have the technologically stimulating effects that are usually associated with MNE subsidiaries.

On the other hand, EPZ firms tend to import all their inputs and therefore they do not have the motivation to build up relations with local suppliers of raw materials, machinery, components or semi-finished goods. But there still exist linkages with local suppliers.
Actually, these backward linkages are known to be a potentially very important channel of technology transfer from foreign to domestic firms, as well as a major instrument for building up and developing the technological competence of domestic enterprises. A further element which hampers the development of linkages between EPZ firms and domestic enterprises is the typical product range of EPZ industries.

Usually, this product range has nothing to do with the host country’s market requirements, its industrial and technological traditions or its pre-existing technological competence. Most EPZ industries, furthermore, are not the type of industries with the tendency towards the attainment of multiplier effects on other industrial sectors. With a few exceptions, EPZ firms were never set up to exploit the host country’s natural resources. Very substantial amounts of technology are yet transferred internationally from parent companies to their subsidiaries located in EPZs.

The technology thus transferred is essentially production technology of a fairly simple nature. A very large number of firms in EPZs are joint ventures between MNEs and domestically owned enterprises. In this case, there is a lot of technology, know-how and information transferred from one partner to the other, and notably from the MNE to the domestically owned firm. Governments realize that if EPZs are to have a catalytic effect on local industry and thereby contribute to the creation of more jobs, then they have to abandon the stage of isolation from the rest of the economy.

On the other side, employers’ organizations are also rising to the challenges of encouraging EPZ enterprises to build backward linkages and assisting local
entrepreneurs to identify new opportunities for doing business with firms in the zones and develop more aggressive export promotion strategies. Thus backward linkages between EPZ enterprises and local industries tend to develop, but this is usually the result of individual initiatives of enterprises rather than the result of government policies to this effect.

EPZ firms also invest in the training of production workers. Anyway, as the employment in EPZ industries has a short-term nature this training is usually rather short, because firms are not willing to do substantial investments in training and professional development.

**Business and Human Perspectives**

In the nineties, a decade when time and space lose their meaning because of the radical changes in technology, communication, transportation and financial movements, multinationals should already have or at least develop a global vision. It needs an integration in the worldwide level of activities and targets of enterprises having to supply to always more global demands but also having to satisfy purchasers’ eventual particular requirements: "think global, act local" is the new motto, from which the neologism "global" derived. This is the period of the emergence of a global customer market as an effect of spreading commodities of already all over the world consecrated firms (for example BMW cars, Nestle sweets, Bayer chemical products, McDonald's fast food etc.).

Japanese companies, as Toyota, Honda, Mitsubishi and ISUZU, established assembly centers for their automobiles in Thailand for example, whereas American enterprises founded subsidiaries above all in South
Eastern Asia. Anyway, these were one of the first attempts of creating a global enterprise, by expanding its activity in markets abroad. The goal of each enterprise is to produce goods and/or services that are offered on the market in order to obtain benefits, profits that are associated to the financial need of enterprises to survive.

When enterprises decide to expand their business, to look for new markets their target is to increase their turnover, their profits, the shareholder value, their position on the stock exchange and therefore reduce the costs as much as possible. On the one hand, the innovations and developments in the field of communication and transportation reduced the transactional and transportation costs. On the other hand, the rising globalization of capital made the greater mobility of capital possible. That means that companies can quickly move from high-wage to low-wage countries thus forcing down real wages in the former countries while exploiting "cheap labor". Thirdly, multinational companies use in a higher degree the supply strategy of "outsourcing" and "global sourcing". "Outsourcing" means that enterprises buy their stocks of raw materials, components or products from different internal and/or external independent purveyors.

The strategy of "global sourcing" means that the enterprises has a provisioning politic orientated towards international supply markets, supposed to assure the profitability on the long term and increase the competitiveness of the enterprise.

In Ireland, strong pro-business policies and English-speaking population have long drawn interest from overseas business, helping to transform the island into a highly attractive location for foreign investors. In a bid to
attract more international capital and technology investments, the country has cut corporate tax rates and adopted a National Development Plan designed to improve infrastructure and government efficiency.

Privatization of state assets in telecommunications and banking have created positive signals for investment, while Ireland's decision to join the euro currency zone has dramatically reduced barriers against financial flows to and from other euro zone countries. Ireland was also among the world's largest beneficiaries of the global boom in high tech and information technologies. It succeeded in attracting investments already in earlier years. This gave it a "first mover" advantage when these industries began to experience truly global growth.

By 2000, technology giants such as Microsoft, Intel, Gateway, and Global Crossing invested huge amounts of capital in the "Silicon Isle", their European home as they use to call it. These high-tech investments explain Ireland's steadily growing FDI inflows. Before deciding to extend its businesses abroad a company has to evaluate a series of factors that could have an influence on its economic activities. Thus it is important to hold out a prospect of the economic forecasts of a country and the transition to development.

Managers of the company, that intends to enter the global economy, have to find answers to the three fundament economic questions: What to produce?, How to produce?, For whom should be produced in order to develop the best tactic for increasing their turnover, their financial revenues, income and wealth. Accordingly to the long-term view of the company, this could mean internationalization (export, licensing, franchising, agreements in the sense of cooperation, establishment of
an affiliate abroad, joint venture, transfer of own production and distribution abroad) or to keep, strengthen, increase its position on the internal market (i.e. by product diversification or differentiation). Not at least, there must be made a comparison costs and risks versus the benefits of doing business in a country.

Very often the entering on new markets is linked to high costs and risks in the first stages but there have to be taken into consideration the long-run benefits as these represent the real attractiveness of a country. Especially in developing countries, in transitional economies the costs of starting and doing business are considerably high, as there are increases because of political costs (corruption and bribes) and the quality of infrastructure (road, power, etc.).

Risks can be of political (e.g. political instability), economic and/or legal nature (e.g. property rights). Therefore, the benefits in terms of revenues and profits must be really substantial in order to make it worth doing business in a foreign country. Risks are lower in economically advanced, politically stable democracies, where there is a high economic growth rate and good macro management. Yet it still appears that FDI is high in some undemocratic nations like China and Saudi Arabia.

One instrument MNEs use in order to expand is the Foreign Direct Investment (FDI). In order to quantify the trends in the process of the world economy globalization, there are calculated a series of index like for example: export and import shares, foreign capital investments, benefits abroad related to the net profit of the company, employees abroad as share of the entire personnel, share of a product or service on the world market etc. In the
period 1980 - 1995 there was registered a major growth in exports and the gross domestic product (GDP) on global level, as consequence of the increasing facilities of free trade, especially by the removal of non-tariffs barriers (NTB).

Spurred by robust economic growth, global integration deepened substantially in 2000, a year that saw record gains in most indicators of international exchange. It was also the period when big companies started adopting more and more the strategy of investing abroad. Thus the index pertaining to the foreign direct investments increased for five times within these fifteen years; especially in Northern Europe, South-Eastern Asia and North America: Similarly, foreign direct investment marked a spectacular increase in 2000, growing from $1.08 trillion in 1999 to $1.27 trillion in 2000, compared with only $203 billion in 1990. Much of this investment was driven by corporations buying or merging with companies in other countries, contributing to increasingly global multinational firms”.

Which are the causes of investing abroad for enterprises? Why do firms invest globally? Worldwide there are over 45,000 companies and 280,000 foreign affiliates with $7 trillion in estimated global sales. All businesses estimate their results by means of financial measures and index. The more profitable they are the lower their costs should be. By investing in order to extend their activities, companies have in view to lower production costs.

They want to get around, to circumvent current or future possible trade barriers due to changes in world’s developing economy. They pursue to position themselves strategically in those national markets, where they
invested in. Finally but not least foreign direct investments are meant to hedge against currency risks. FDI occurs when a firm invests directly in foreign facilities to produce or market a product: 10% interest or more in a foreign enterprise qualifies a company already as a multinational enterprise.

The next step to do is to find out where MNEs will invest. Historically, firms in developed economies invested in other advanced market economies. In 1970s US enterprises had a share of 47% of total FDI and the UK 18%. That period was clearly dominated by US multinationals. Recently, there was noticed a change, as there is a surge of FDI to newly developing economies: favourite areas are South-Eastern Asia, China, Latin America and Africa. FDI represents an alternative to exporting or licensing. FDI is expensive and risky due to the multitude of problems associated with doing business in different culture where the "rules of the game" can be very different.

Therefore management has to be very cautious with the adopted strategy in different markets, as the marketing mix used for the domestic market could not fit in at all with the cultural understanding of the host market. Mistakes can be very costly. A company is investing abroad in the same industry as it operates in at home. Reasons for adopting this strategy are advantageous transportation costs, market imperfections, they might be following competitors, the product life cycle might approaching the ending phase in the home market, or due to location advantages.

Licensing might not be viable because it may create a potential competitor, it might not give the company sufficient control to effectively exploit its competitive
advantage, or its know-how is not amendable to licensing. The vertical strategy of FDI can be carried out into two directions: backward into industry supplying inputs like in extractive industries or forward into industries selling output of firm. The reason for choosing this type of FDI is the strategic behavior to raise entry barriers to competitors or to prevent them from blocking you. It also offers market imperfection view of impediments to sale of know-how or some other factor.

Best explanation for FDI is the market imperfection theory: obvious imperfections deal with substantial transportation costs and protectionism or the threat of future protectionism. Indeed, FDI is the most costly and risky of all market-entry strategies, but it is in the same time the best option for an enterprise if the company:

— wants to protect its valuable know-how or technology;
— needs to have very tight control over foreign operations;
— its competitive advantage and know-how is simply not amendable to licensing.

Thus, generally we observe FDI with:

— high tech firms to closely control knowledge and technology;
— large global oligopolistic enterprises due to their need for strategic control;
— firms under intense cost pressures to maintain cost controls.

For low tech, fragmented industries licensing and franchising is the most viable choice. Thus McDonalds' franchising system is an excellent way to share costs and
still maintain control and quality. On the contrary, Wal-Mart (retailing industry) decided for tight control. Therefore they did the first FDI in 1992 and they expanded globally through wholly owned subsidiaries, as they believed that their know how, their "culture" and control systems could not be franchised. In general corporations that want both to expand on international markets and protect their know-how at the same time, will invest abroad in order either to merge with foreign firms or to purchase them.

**Mergers and Acquisitions**

Acquisitions are an important tool as far as the company growth is concerned. Several studies emphasize the increase of the number and of the value of mergers and acquisitions (M&As) during last decade, notwithstanding the absence of official data and the difficulties to collect them. In order to show which is the relationship between the industrial structure and the M&A process, several studies focused on the European countries, mainly because of changes induced by completion of Internal Market Program and expectations on European Monetary Union. Mergers and acquisitions are a type of strategic alliances meant to increase the size, the market share, the position on the market, the shareholder value, the profitability of an enterprise, being a driving factor of globalization. The question to be answered by the management is whether they should take over a national competitor / supplier / client rather than an international one. They should always take into consideration the variables that influence the pattern of external growth of their company.

According to different theories there are different choices among external growth opportunities. The first
group of theories is concerned with the company's choice among hierarchical growth (including external growth by acquisitions or internal growth by investments), market transactions and partnerships (including non-equity agreements, and equity agreements such as joint ventures). In this sense, the main references are the transaction cost theory by Coase and Williamson, and the complementary asset theory by Teece. According to Coase's transaction cost theory, the firm takes the place of the market only when the internal costs of coordination are lower than the costs of the market itself.

In the original framework there are known only two possible organizational solutions: accumulation of internal resources or acquisition of an existing firm on the one hand (the hierarchical form), and on the other, the market. Agreements and joint ventures are defined as an intermediate form between market and hierarchy, and are not optimal with respect to hierarchy. Within the transaction cost economics by Williamson firms choose the best way of growth according to three attributes of transactions: the frequency, the degree of uncertainty that they experience and the degree of idiosyncrasy of the investments necessary for the implementation of the transaction.

Within the Williamson approach, agreements can also be a first best solution, as hierarchical growth or market transactions. According to Teece' complementary asset theory, within the global competition the firms need a lot of financial, managerial, technological, manufacturing and commercial resources in order to manufacture a wide range of products, to commerce them on a wide range of countries, to develop many innovations. As it is impossible for firms to have the direct control of such a huge amount of resources, they
try to have indirect control of them through agreements and joint ventures, especially at an international level.

Teece emphasizes that very often the organization introducing innovation doesn’t take advantage of it, with reference to its competitors. Thus it is rather the firm which owns all the resources required to exploit the innovation the one to take advantage of it. Furthermore, the hierarchical organization can be quickly improved by M&As, which means that the missing assets can be directly acquired instead of pursuing the slow internal development.

These three theories suggest that M&As have a specific role: M&As’ aim is either to avoid transaction costs either to gain complementary assets. Theories dealing with foreign direct investments can be useful to focus on the determinants of international M&As, as the M&As are the main FDI component. The main reference is the eclectic approach by Dunning, well-known as the OLI Paradigm. He argues that FDI and M&As are strongly linked with:

— ownership advantages, related to full control of specific resources - such as technology, economies of scale, labor skills, brand name - ensuring the firm a competitive advantage at an international level

— internalization advantages, related to uncertainty and negative externality of market transactions

— locational advantages, related to some characteristics of the destination country, such as cost of production factors, trade barriers, innovation systems, market size, and so on.

These advantages could affect the choice between international M&As and domestic M&As. Within
According to new models which refer to oligopolistic competition M&As are divided in:

— M&As focused on the increase of market power;

— M&As focused on the pre-emptive moves against competitors;

— "absorb-the-rival" M&As, aimed to reduce competition.

**Human Resources and Global Enterprises**

If someone would ask you to determine the companies that would provide the greatest return to stockholders over a period of a certain time, how would you approach your assignment? First of all one would think about how the company could earn high economic returns. For this, a company should have some sustainable competitive advantage, that means something that:

— distinguishes it from its competitors

— provides positive economic benefits and -is not readily duplicated.

In this respect, one would have very probably begun by selecting the right industries, as "not all industries offer equal opportunity for sustained profitability, and the inherent profitability of its industry is one essential ingredient in determining the profitability of a firm." According to Michael Porter's framework, the five fundamental competitive forces that determine the ability in an industry to earn above-normal returns are "the entry of new, competitors, the threat of substitutes, the bargaining power of buyers the bargaining power of suppliers and the rivalry among existing competitors."
Dunning's theory, cross-border M&As depend on the comparison between internal and ownership advantages on the one hand, and localization advantages on the other hand. We could conclude that M&As take place in order to exploit international opportunities. There could be noticed that there is a relationship between the M&A process and the so called global economy. The main advantages of global economy come from the demand standardization and the supply de localization.

These advantages can be quickly exploited by means of M&As, by acquiring production capacity and distribution capacity all around the world. In the context of European Union, for instance, the M&A process can be explained as a phenomenon due to the effects of oligopolistic competition within the European Internal Common Market. Thus, as a consequence of the removal of NTB, European companies can operate in the EU market as on the domestic one. At the same time, due to the removal of trade barriers the competition on the market is getting tougher. This higher competition is increasing the restructuring process at a firm and at an industry level, so that international M&As allow EU companies to restructure their organization quickly.

The effects of such a restructuring is the higher degree of geographical concentration concerning the sector characterized by high economies of scale and low transport costs. Traditional models, related to the goal of M&As, can be grouped in:

- resource-seeking M&As, which are determined by exploitation of low production costs, and by other country specific factors;
- market-oriented M&As, determined by barriers affecting international trade.
In other words, you should find industries with barriers to entry, low supplier and buyer bargaining power, few ready substitutes and a limited threat of new entrants to compete away economic returns. In the period from 1972 to 1992 the top three stocks in the USA were: Southwest Airlines, the discount chain Wal-Mart and a poultry producer, Tyson Foods. Yet during the mentioned period, these industries (airlines, retailing and food processing) were characterized by massive competition and huge losses, widespread bankruptcy, virtually no barriers to entry, little unique technology and many substitute products and services.

All this "theory" was meant in order to understand that the source of competitive advantage has always shifted over time. But there is still one question unanswered: Do the three businesses have something in common? Indeed, it seems that these three successful companies have in common the fact, that for their sustained advantage they do not rely on technology, patents or strategic position, but on how they manage their work force. 'People and how to manage them' is a issue that nowadays is becoming more importance because many other sources of competitive success are losing from their initial power.

The traditional sources of success (economies of scale, protected or regulated market, access to financial resources, product and process technology) can still provide competitive leverage but to a lesser degree than in the past. Organisational culture and capabilities, derived from how people are managed, are getting more important.

In 1959, Xerox developed and introduced its first paper copier. In 1972 it had a market share of more than
90% with improved machines that still relied on the same technological foundation. However, nowadays it is increasingly problematic to have success relying on a static product technology, especially since product life cycles are shortening and new-product introduction happen more quickly.

The rapid development of computer-aided design (CAD), computer-aided manufacture (CAM), the linking of the two, as well as other innovations that facilitate product design shorten the period one can achieve competitive success only through proprietary product or service technology. Competitors are more able to imitate product innovations and therefore the length of product life cycle is diminishing. Patents provide some protection, but it is less than one might think. Firms sought competitive advantage not only in the product technology but also in the process technology used to produce their products or services.

The company spent about USD 40 billion for modernization and new facilities, in the process substituting fixed for variable costs. Actually, GM invested so much on money on capital equipment that it could have purchased both Nissan and Honda A, and unfortunately it did not get much for all its efforts. In fact, investments in process technology provide only limited competitive advantage, because "Machines don't make things, people do.

Another way how enterprises achieved competitive success was by avoiding competition through protected or regulated domestic markets. Thus, for instance imports of certain foreign goods were limited. With the growing importance of free trade areas and with the increasing investment in manufacturing facilities all over the world
the ability to sustain competitive success foreclosing markets is disappearing. The changing role of foreign trade in the world economies over the past few decades has been remarkable. The growth of both exports and imports reveal the fact that corporations are not competing just domestically but globally. Because that is the meaning of globalization.

The access to financial resources was another traditional source of competitive success for an enterprise. In the past there were less efficient financial markets, so that one company's ability to finance itself through substantial financial resources afforded protection from competitors less able to acquire the resources necessary to represent a serious challenge. Yet this source of competitive advantage has lost its importance in the face of increasingly efficient financial markets in which capital moves worldwide on an unprecedented scale, due to the financial globalization process.

Yet another source of competitive advantage that is less important than it used to be is the economies of scale. The famous Boston Consulting Group experience curve postulated that a company entering a market early and achieving large production volumes would face lower costs because it achieved benefits of learning as well as more traditional scale economies. Although there is some evidence of the economic benefits of large market share, there is also evidence that the importance of economies of scales as source of competitive advantage is diminishing. A possible explanation is the fact that in the era of globalization there is a growing trend towards more fragmented markets, that imply the need to cater to the specialized tastes of subsegments of the population.
As the traditional sources of competitive advantage are becoming less important, the differentiating factor is the organization, its employees and how they work. The success that comes from managing people effectively is often not as visible or transparent as to its source. Culture, how people are managed and the effects of this on their behavior and skills are sometimes seen as the 'soft' side of business. Achieving competitive success through people requires a fundamental shift of the way of thinking about the workforce and the employment relations. It also means achieving success by working with people and not by replacing them or limiting their responsibility and the scope of their activities. Therefore, corporations should see their employees as source of strategic advantage and not just as a cost that should be minimized or avoided.

Effects of Globalization

One of the effects of globalization is immediately positive for capital, because it increases the general rate of profit, and enlarges the world market. That is provoking an increase of profits and purchasing power in the strongest countries, as well as in the countries that benefit froth the fallout from these positive effects on the strongest economies. Superficially, it can look as if capitalism has succeeded in overcoming its contradictions and can develop without limits. But it could also look like as if we inhabit a unified world, without inter-imperialist tensions, the image of a "superimperialism" a la Kautsky, a situation that can only strengthen the hegemonic position of the United States.

Yet, it is nothing of the kind, and globalization must be understood as an attempt by the strongest economies
to strengthen their competitive position, to attenuate and contain the contradictions that ravage the system, and that, moreover, manifest themselves in the breakdown of national economies, such as that of Russia, or the Asiatic countries, in the exclusion or marginalization of whole populations, or in the development of famine in those zones now abandoned - after their pillage in the colonial epoch - as is the case with sub-Saharan Africa.

In fact globalization provides no solution to the fundamental problems of capital, it can only work on its symptoms, and can only last for a limited time. So, if certain economies, like that of the US, now benefit from this process, it is not the same for all national economies. That's why there is so much resistance to the processes of globalization in countries like China or Russia. Nonetheless, the present period is marked by a growing integration of the diverse national economies, by a growing interdependence of different capitals.

One fundamental element is that of the consequences of the passage from the formal to the real domination of capital. The effect was that of eliminating the barriers between the different spheres of production, circulation, and consumption to the benefit of a single process of reproduction, valorization, and accumulation, at the national level. It is a matter, therefore, of a global process of the valorization of capital that renders null and void the definition of social classes that prevailed in earlier stages of capitalism, where there were clearly defined lines between blue collar workers and capitalists, large and small.

A second element is the context of globalization, which further accentuates the global collective character of this process. In this sense we face a contradictory
movement:
— on the one hand, this movement leads to the integration and development of production on an international scale, distributed over a proletariat situated in many diverse, complementary sectors and different countries, and,
— on the other hand, it provokes an intensification of competition between the workers, because of the constant threat of de localization permitted by the current mobility of production, as well as the difficulty in perceiving the links that unite workers, beyond sectors or countries.

Anxiety about globalization also exists in advanced economies. How real is the perceived threat that competition from "low-wage economies" displaces workers from high-wage jobs and decreases the demand for less skilled workers? Are the changes taking place in these economies and societies a direct result of globalization? Economies are continually evolving and globalization is one among several other continuing trends. One of these trends is that as industrial economies mature, they are becoming more service-oriented in order to meet the changing demands of their population. Another trend is the shift toward more highly skilled jobs.

Most probably these changes would be taking place with or without globalization, even though not necessarily at the same pace. In fact, globalization is actually making this process easier and less costly to the economy as a whole by bringing the benefits of capital flows, technological innovations, and lower import prices. Economic growth, employment and living
standards are all higher than they would be in a closed economy. But the gains are typically distributed unevenly among groups within countries, and some groups may lose out.

For instance, workers in declining older industries may not be able to make an easy transition to new industries. What is the appropriate policy response? Should governments try to protect particular groups, like low-paid workers or old industries, by restricting trade or capital flows? Such an approach might help some in the short-term, but ultimately it is at the expense of the living standards of the population at large. Rather, governments should pursue policies that encourage integration into the global economy while putting in place measures to help those adversely affected by the changes.

The economy as a whole will prosper more from policies that embrace globalization by promoting an open economy, and, at the same time, squarely address the need to ensure the benefits are widely shared. Government policy should focus on two important areas:

— education and vocational training, to make sure that workers have the opportunity to acquire the right skills in dynamic changing economies; and

— well-targeted social safety nets to assist people who are displaced.

Concerning the job creation in developed countries there has to be said that among the ten major developed countries, the total number of jobs has increased considerably since 1970 only in the United States, Japan and Canada. It is no wonder that these are exactly the countries that have the most advanced technological production systems, so that especially here the structural
change was obvious: developed economies have lost jobs in manufacturing, agriculture but they have become very dominated by the service sector and lately by activities in the high tech area.