

# A New Globalization Paradigm: World Unity or Alternatives for Development?\*

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**ABSTRACT.** This article deals with the conceptual foundations of the modern global economic system of development. It reflects the cyclical nature of changes to and the details of global integration processes. The creation of a global economy from a multi-paradigmatic angle is briefly outlined, taking into account the modern paradigms of globalization and the predominance of alternatives to the future development of a global economic space. The article investigates the development of a new type of world economy, a multi-system with a proven role for linkages and a more consolidated world economy. The article reveals the initial conditions for and main qualitative changes related to the integrated development of a complex network of interdependent national societies and macro-regional geo-economic structures. The article also reveals changes in the configuration of those factors that provide competitiveness for these societies and geo-economic formations.

**KEY WORDS.** Economic development, world economy, globalization, economic system, competition, competitiveness, points of bifurcation, fragmentation, integration, convergence, integrated development, geo-economic regions.

## Introduction

The beginning of the third millennium is characterized by qualitative structural changes of seismic proportions. These changes were caused by the scientific and technological acceleration of development and by the discredit of traditional dynamic factors such as societal motivation and demands. At first glance this fact is common to all systems, thereby unifying public consciousness and harmonizing the conditions for a macro-and-micro economic system regardless of national identities. However, any unforeseen possibilities for development are accompanied by new risks of tipping the inter-subject and inter-state balance.

New frameworks have been drawn in the process of researching and developing theoretically descriptive models of global integration. Examples of such «global models» can be found in the works of Jurgen Habermas (communication model), O. Toffler (third-wave

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civilization), A. Mazrui (federation of cultures), I. Wallerstein (historic-economic model), A. Giddens (social model of modernization), S. Mendlowitz and R. Falk (world order), G. Mesarovich-Pestel (integrated world model), N. F. Reymers (global ecological model), etc. The idea of world development is reflected in the organic concept of H. Spencer, the post-industrial society theory of G. Bell, the world dynamic model of D. Forrester, the systemic theory of E. Durkheim, the system-processing construction of P. Sorokin, and also in the series of alternative models like the interactive socio-cultural fields of P. Bourdieu, the civilization theory of A. Toynbee and P. Schpengler, and the stage system of K. Marx.

In general, discussions among scholars, economists and political scientists at the beginning of the 21<sup>st</sup> century have begun to seek models of economic behavior in a global environment which predetermine research on the progressive complexity of global processes and to lay out conceptual foundations for a new stage of world economic development. Nonetheless, we will only briefly outline the parameters of the global economy on a multi-paradigmatic landscape. This exercise generates new methodological problems, in particular that every modern paradigm of globalization is oriented toward a certain developmental scheme such as discontinuity, evolution, cycles, but not toward the synthesis of these schemes<sup>1</sup>. In our opinion drawing the parameters of the global economy can only be done by way of inter-paradigmatic reflection (when different paradigms are connected based on a common basic concept).

From the point of view of global processes the contemporary co-existence of old and new tendencies in world economic development can be characterized<sup>2</sup>. In other words, alternatives to the future function of the world economy can be substantiated<sup>3</sup>.

### Outlines of the world economic structure

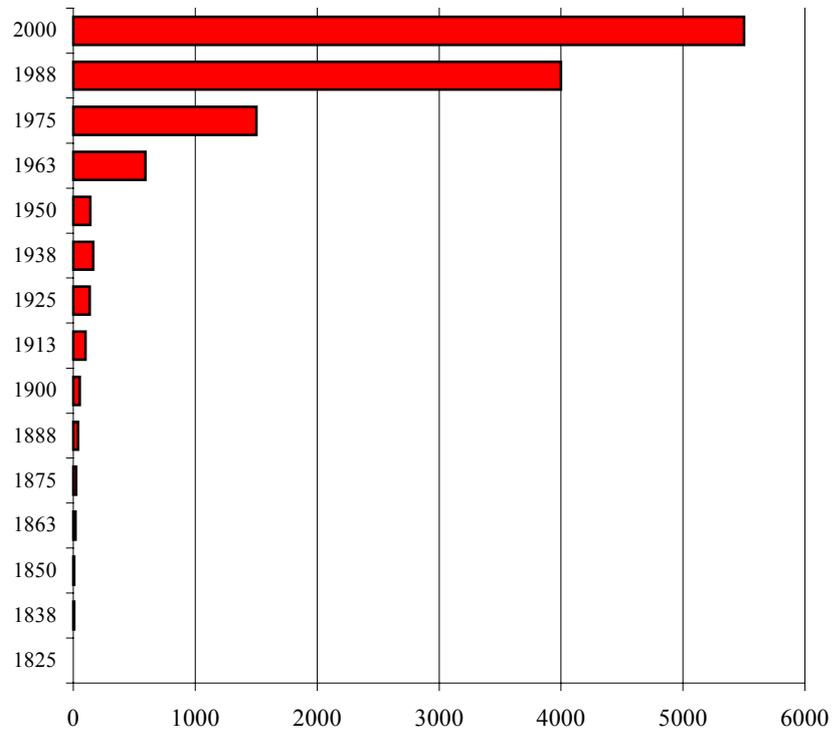
The magnitude of the traditional world economic development paradigm's deviation from the true existing processes has already grown to a critical mass. The Club of Rome conceptually outlined

<sup>1</sup> The complexity of solving this problem can be seen in the evolution process from utopian paradigm (F. Bacon, T. More, T. Campanella), to evolutionally-progressive (T. Kapp, G. Bell, Meadows) and cyclically-genetic paradigm (L. Abalkin, Y. V. Yakovets)

<sup>2</sup> Zhilin, Y. Globalization in the Context of Modern Civilization Development // Svobod. Mysl — XXI, — 2002. — № 4. — pp. 27—39.

<sup>3</sup> Theoreticians have been actively working on variability as an attribute of development, or the allocation of specific variables in reference to different development parameters, such as sources (endogenous, exogenous, dependent, and authoritarian development), the character of public consciousness (creative and imitative development), structural consequences (dualistic, peripheral, enclave-conglomerate development).

this gap in the 1970s as the «boundaries to growth» which were oriented (as an outcome) toward post-industrial technologies<sup>4</sup>. In fact, communications among people, communities, and states at the time had achieved a new global character in thinking about global information space, capital, service, and labor markets.



**Fig 1.** Export dynamics in Europe, U.S., and Japan (1913 = 100%)\*, (in millions)

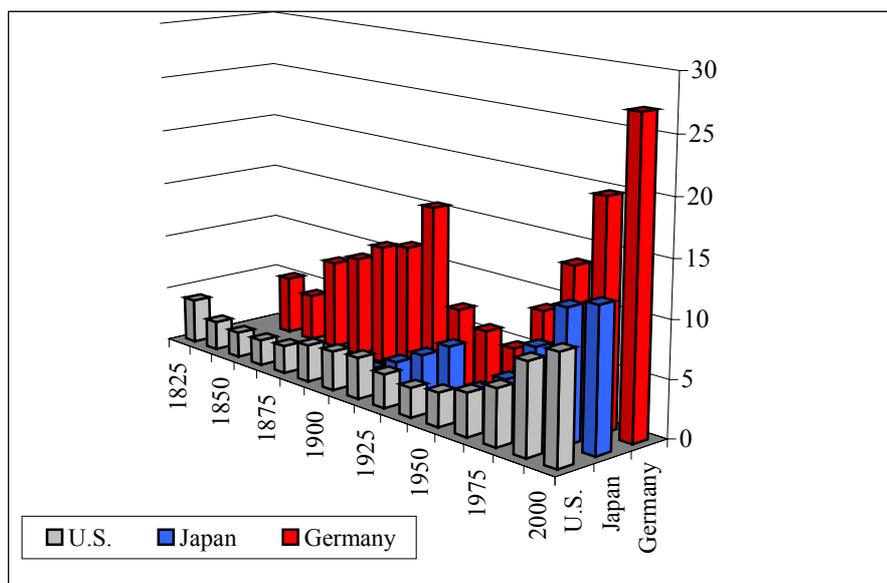
\* the weighted average value by six countries: Great Britain, Germany (values calculated prior to 1875 take into account post-1871 territorial gains; values after 1950 are calculated using the FRG numbers), France, Italy (values calculated prior to 1875 take into account post-1860 territory of the Kingdom of Italy), United States, Japan.

**Source:** Melyantsev, V. A. The West and the East in the second millennium: economy, history, and the present. Moscow. 1996; The Economist. 1999, Nov. 27 — Dec. 3; 2000, Apr. 15—21.

<sup>4</sup> Mareyev, S.N., Panchenko, V.I., Pokrytan, G.P., Solodkov, P.P. Economic Theory for Industrial Practice. Moscow. 1990. p.122; Pestel, E. Beyond the Limits to Growth: Global Problems of Modernity and Int. Org. Activities. Report to the Club of Rome: Transl. from English. — Moscow: Progress, 1988. — 268 pp.; Modern Civilization Models and their Historical Roots / Pakhomov, Y.N., Krymsky, S.B., Pavlenko, Y.V., et al. Ed. by. Y.N. Pakhomov — Kyiv: Naukova Dumka. 2002 — 632 pp.; Drucker, P.F. Managing Challenges for the 21st Century. — N.Y., 1999.

Man-made globalization was accompanied by the deterioration of ethnic and religious conflicts, as well as development security as a whole<sup>5</sup>. What has been surprising is not only the sizable dynamics in the corresponding parameters, but also the deep qualitative shifts in the irreversible nature of both positive and negative actions. Statistical data show that growth in quality and, by its scale and economic influence, an unprecedented «revolution» in international trade occurred in the 20<sup>th</sup> century (Fig. 1).

Dynamic of export volumes from developed countries during the 19<sup>th</sup> – 20<sup>th</sup> centuries in absolute and relative figures is shown in Fig. 2.



**Fig. 2.** Ratio of export volume to GDP volume, given as percentage of GDP (permanent prices)

**Source:** Melyantsev, V. A. *The West and the East in the second millennium: economy, history, and the present*. Moscow. 1996; Bairoch, P. *The constituent economic principles of globalization in historical perspective: myths and realities* // *International Sociology*. 2000, N 2.

The most important thing, however, is not the export portion of services and commodities percentage-wise to the GNP, but the character and structure of international turnover. In an international circulation, the share of fuel and raw materials is getting smaller,

<sup>5</sup> Abdeyev, R.F. *Philosophy of Informational Civilization*. Moscow. 1994. p. 280; Ivanov, N. *Globalization and Problems of Optimal Development Strategy* // *World Economy and Int. Relations* — 2000. — № 2. — pp. 15—19.

whereas the share of technological products, especially «new technology» products, as well as various services — informational, scientific, technological, communication, tourist, recreational, financial, insurance, etc. — is on the increase.

A large portion of this growth is due to the development of transnational corporations (TNC) since, by various estimates, 33% to 40%<sup>6</sup> of international trade is actually the share of trade within a company.

The «revolution» in international trade occurred after a painful crisis caused by two world wars and a depression, during which time autarchic tendencies prevailed in developed countries. Thus, statistical and historical data show a sharp contrast developing by the mid-twentieth century between the old and new kinds of economy.

Along with trade, the most important indicator of economic transformation is the expansion of international investment flow. In the 1980s, the volume of foreign direct investment grew 20 % annually, four times more than the pace of international trade development. As a result of these global dynamics, at the beginning of the 1990s in factories belonging to non-residents, the total value of products and services was estimated at 4.4 trillion USD, i.e., more than the estimated total volume of world trade of 3.8 trillion USD. If only foreign companies belonging to American investors are considered, they alone are responsible for sales of more than a trillion USD, four times as much as the volume of American exports, and seven to eight times as much as the US trade deficit.

### **Alternatives to the development of the world economic system**

Radical changes in world trade, capital flow, labor migration, and currency relations have exhausted the Western model of unlimited development. They have also shown the limitations of this model's universalism and have aggravated problems of social and inherent origins, including the loss of a collective identity in developed industrial communities. These, in turn, have undermined the stable division of a subject-object framework in the world economic system. Rulers-subjects are losing their homogeneity (as can be seen in the phenomenon of the evolving world economic triad), and the limits of any national and universal claim for domination in the world economic arena is generally accepted. This confirms the alternative nature of the development of the world economic system since

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<sup>6</sup> Kiely, R. Globalization, Post-Fordism and the Contemporary Context of Development // *International Sociology*. 1998, N1 p. 96; Sassen, S. Territory and Territoriality in the Global Economy // *International Sociology*. 2000, N2 p. 377.

its theoretically-elaborated integrity contrasts with its true fragmentary essence. In other words, inconsistencies between the global and the local<sup>7</sup> are re-enacted at a new level; or, to be precise, according to M. Gefer, between independence and a multi-directional world development. To underline the multilevel nature of today's economic development, interaction and penetration between the global and the local, as well as the creation of joined tendencies toward homogeneity and heterogeneity, another famous scholar Ronald Robertson coins a special term «glocalization»<sup>8</sup>. Confirming the new tendencies in development, K. Namista, professor at the Department of International Politics at University of Wales, declares that «interaction between globalization and fragmentariness points out that the new century will resemble more the Middle Ages than the static 20<sup>th</sup> century, but will learn the lessons of both the former and the latter»<sup>9</sup>.

At the same time, American economist David Held points out that the modern heterogeneity of world economic space personifies a mega-differentiation whose trends are the global world («anti-core») and the rest of the world («international system»).

A different level of heterogeneity is reflected in the subjects of globalization. The case in point is multiculturalism and the problem of territories in many Western countries. Multi-culturalism in countries like Australia, Canada, the U.S., and others has replaced the ethno-national assimilation policy with the «melting pot» policy. The melting pot was oriented to the formation of a homogeneous society out of different ethnic communities. Therefore, multiculturalism can be considered an alternative to integration processes. The intentions of some Western and other countries' regions to function more independently and even autonomously only confirm this. Scotland may serve as an example, being a part of Great Britain and looking for ways to enter European Union structures independently<sup>10</sup>. In this context, R. Robertson is absolutely correct in saying

<sup>7</sup> In general, reinterpretations of the paradigm «local / global» are notable as a consequence of the emergence of three «lines» of theory: the theory of world/global system (from the mid-1960s to the beginning of the 1970s), the theory of global social implications (from the mid-1980s to the beginning of 1990s), the theory of social «de-territoriality» (from the end of 1980s to the mid-1990s).

<sup>8</sup> Kravchenko, O.M. Globalization and Glocalization as Explicative Practice of Modern Cognition // Practical Philosophy. — 2001. — № 2. — pp.161—175; Shishkov, Y. On Heterogeneity in Globalism and its Stages of Development // World Economy and International Relations. — 2001. — № 2. — pp.57-60; Robertson, R. Glocalization: Time-Space and Homogeneity — Heterogeneity // Global Modernity. Ed. by M. Featherstone, S. Lash, R. Robertson. London, 1995.

<sup>9</sup> International relations theory today. Polity Press, 1995. (translation into Russian; ed. by P. Tzyhankov; K. Bus. — M.: Gaidariki, 2002. — 362 p.)

<sup>10</sup> Delyagin, M. Global Instability and Yearning for the Apocalypses. In the book: The Crash of the Dollar. — Moscow.: ASPEK, 2000; Chistilin, D.K. «Self-Organization of the World Economy: the Eurasian Project» — Moscow. Closed Company «Publishing House «Ekonomika»», 2004. — 237 pp.; Modern Civilization Models and their Historical Roots / Y.N. Pakhomov, S.B. Krymsky, Y.V. Pavlenko et al. Ed. by Y.N. Pakhomov — Kyiv: Naukova Dumka. 2002 — 632 pp.

that in multicultural communities the categories «international relations», «clash of nations», «trans-national corporation» happen to be practical categories of cooperation. In other words, the localization of global events serves to reflect the tendency to form a modern global society not «from above», but «from below», i.e., forming it by means of local interaction — by making cooperation with representatives from other cultures' routine, by including different elements of other national, «exotic» cultures in everyday life. In this case, the term «global» means not only «international», but also «sub-national» and even «local». This, in turn, means that the «local» transforms the daily development of society into a type of global manifestation<sup>11</sup>.

Russian Scholars E. A. Azroyants, A. B. Veber, and N. A. Simonia declare that in today's reality a new type of economic<sup>12</sup> organization is growing: a poly — (complex) system in which the most important feature is not the constituent parts but the defining role of cooperation. This presumes greater consolidation of the global economy<sup>13</sup>.

A poly-system permits distinctiveness and dissonance between the constituent parts and the whole, which provoke the syndromes of fragmentation (regional economy) and multi-variance<sup>14</sup> (K. Koyama, A. Giddens). Indeed, the global economy is not merely heterogeneous, but diversified in its principles, which presumes the emergence of a new historical form of economic development<sup>15</sup>.

The possibility of «development through diversities» according to M. Geffer, regardless of a solid foundation for such a possibility either stemming from the previous experience or in general, deeply conflicts with polarized unequal relations that are features of industrial and postindustrial development. Increased connections and interdependencies, greater heterogeneity of the system's surroundings, and a growing trend in its components becoming autonomous or acquiring an identity deepen the functional division of the global community into the central and peripheral. This does not mean a clear, strict separation of structural levels, but rather the formation of unstable and uncertain «proac-

<sup>11</sup> The theory of R. Robertson can be narrowed down to «structural homogeneity + social heterogeneity». This is the paradigm of changes that creates unity among various empirically registered tendencies.

<sup>12</sup> The former type of world economic organizations can be defined as a «general», «normal» system or mono-system built on the principle of a social basis where economic ties were necessary but did not play the decisive role.

<sup>13</sup> Ionin, L., Shkaratan, O. Parkinson and Bureaucrats // Parkinson, S.N. The Laws of Parkinson: Trans. from English. Moscow. 1989. p.428; Simonia, A. Globalization and Inequality of World Development // World Economy and International Relations. — 2001. — № 3. — pp. 35—44.; Shishkov, Y. Is Globalization an Enemy or Ally for the Developing Countries? // MEiMO, 2003, № 4.

<sup>14</sup> A priority of postmodernist methodology.

<sup>15</sup> Chistilin, D.K. «Self-organization of the World Economy: the Eurasian Project» — Moscow. Closed Company «Publishing House «Ekonomika», 2004. — 237 pp.; Shishkov, Y. Is Globalization an Enemy or Ally for the Developing Countries? // MEiMO, 2003, № 4.

tive zones» where such features as full dependency, «peripheralism», or backwardness<sup>16</sup> are leveled out; this was the case of the central-peripheral structure of the global economy at the beginning of the 20<sup>th</sup> century (F. Cardoso's theory of dependency). On the contrary, in those «proactive zones» the above-noted features are disappearing, where peripheralism without dependency or dependency without backwardness become quite real. Such disappearances are especially vivid today in those post-socialist countries that are actively pursuing integration in the world market, i.e. countries that are intellectually competent, but challenged in terms of knowledge of the market and economics. Such «proactive zones» depend in their development on the ability to adapt to new conditions<sup>17</sup>.

In this respect, some ideas of the Russian scholar V.L. Tsimbursky can be taken into consideration, specifically, the division of modern civilizations into those that are «context-free» (i.e., develop on their own terms and having an internal dynamic), and «context-tied» (depend on external factors). The West and in part Japan belong to the former type, according to the scholar, whereas the remaining countries to the latter. Although the scholar's prerequisites are geopolitical, nevertheless his approach can be extended to geo-economic features.

The evolution of information networks and, even broader, generally universal linkages, lay the foundation for a new kind of unified global economic system. In this context, according to A. Shager, T. Sandler, Y. Visepa, Y. Sakomata, M. Kitting, A. B. Veber, Y. V. Shishkov, the decisive role of linkages becomes apparent in the fact that, during the process of interaction, participants in world economic relations are obtaining additional features that are different from those they have otherwise<sup>18</sup>. Thus, global determinants for the functioning of a national economy are created, whereby the tendency to cooperate and interact for mutual benefits is evident at all levels of contemporary relations among the subjects of world management:

- At the company level — social partnership;
- At the micro-integration level — tendency toward communitarianism;

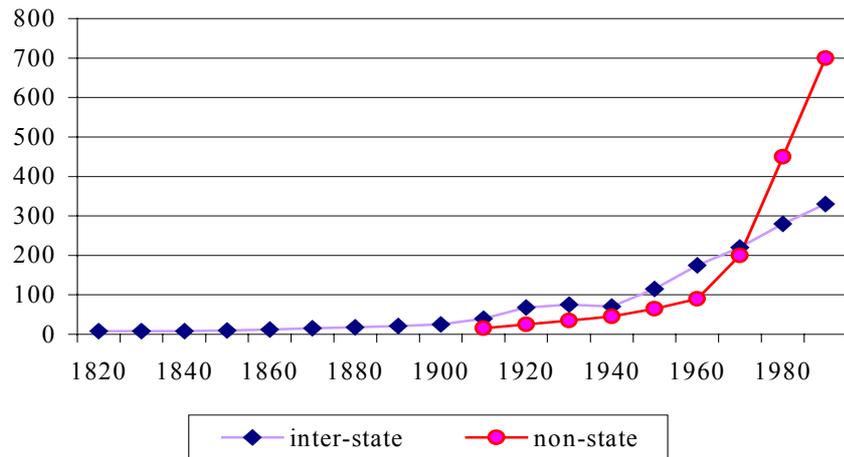
<sup>16</sup>Meaning technological-, technical-, or resource-dependency and the backwardness of some countries, which is also explained by the weak competitiveness of their economies.

<sup>17</sup>This was typical for the creation and development of the «Asian tigers» economies.

<sup>18</sup> Globalization and Development Security. Monograph. Bilorus, O.G., Lukyanenko, D.G., et al. Under supervision and edited by Bilorus, O.G — Kyiv: KNEU, 2001. — 733pp.; Delyagin, M. Global Instability and Yearning for the Apocalypses. In the book: The Crash of the Dollar. — Moscow.: ASPEK, 2000; Chistilin, D.K. «Self-organization of the World Economy: the Eurasian Project» — Moscow. Closed Company «Publishing House «Ekonomika»», 2004. — 237 pp.; Shishkov, Y. On Heterogeneity in Globalism and its Stages of Development //World Economy and International Relations. — 2001. — № 2. — pp. 57—60; ; Shishkov, Y. Is Globalization an Enemy or Ally for the Developing Countries? // MEiMO, 2003, № 4.; Sakamoto, Y. (ed.). Global Transformations. NY-Tokyo, 1992. P. 296; Sandler, T. Global Challenges. An Approach to Environmental, Political and Economic Problems. — Cambridge, 1997.

- At the local regional level — consolidation of commercial, social, and administrative structures for the purpose of innovation and social development;
- At the state level — a greater role by civil society (in particular, non-governmental organizations) in the development of science, culture, education, health protection services (the «new pluralism» tendency, noted by P. Drucker<sup>19</sup>);
- At the intergovernmental level — a tendency to draw up general «rules of the game», to implement the subsidiarity principle whereby states gradually delegate their sovereign prerogatives to the supra-state or sub-state (regional or municipal) levels, and to create a global market space and unifying mechanisms to manage crises and global catastrophes;;
- At the global community level — a greater role by non-governmental organizations in the economic and political spheres, and the formation of a global civil society (Fig. 3).

These new social movements become one of the main tools for the self-improvement of society. Most participants in such movements share common values of democracy, solidarity, economic and social rights of citizens, self-government, healthy environment, and cultural diversity<sup>20</sup>.



**Fig 3.** Number of Inter-state and Non-state international organizations (in multiples of 10).

Source: Waters, M. Globalizacao. Lisboa, 1999.

<sup>19</sup> Drucker, P.F. *Managing Challenges for the 21st Century*. — N.Y., 1999.

<sup>20</sup> Mazurova, E.K. *The Role of International Organizations in Global Economy Processes Regulating* // *Vestnik of Mosc. Univ. Ser.6: Economy*. — 2002. — № 4. — Pp. 34—56.

Apart from the growing number of international non-state and inter-state organizations, their re-orientation towards new goals was unprecedented. Unlike their orientation in the 19<sup>th</sup>—early 20<sup>th</sup> century towards predominantly state-based problem-solving (the right of nations to self-determination, protection of national sovereignty, prevention of inter-state conflicts, etc.), their main focus since the mid-20<sup>th</sup> century has been humanitarian issues (human rights, protection of ethnic and cultural minorities, struggle against genocide, global catastrophes, etc.). As a result, there has been a partial loss of national sovereignty to the benefit of international organizations at the supranational level, for example, the United Nations, UNESCO, World Bank, etc., and non-governmental organizations acting at the sub-national level across many states, for example, Greenpeace, Amnesty International, and Human Rights Watch.

In general, such varied connections among the constituent elements in the world economy and at different levels generate highly integrated economic structures, such as global TNCs, continental regional integration structures (EU, NAFTA, Free Trade Area of the Americas). In our opinion, these result from a harmonization of self-interests and needs in order to redistribute the limited economic resources of the world economy more efficiently. Their goal is to obtain more and more resources in an environment of increasing consumption and need to satisfy demand under market conditions<sup>21</sup>. Thus, the creation of modern highly integrated economic institutions are characterised as new self-organized reconstructions.

Political and governmental aspects of the development of a modern global economy merit our attention. American scholar R. Gilpin in his monograph, «The Challenges of Global Capitalism: The World Economy in the Twentieth Century,» states that some attempts at globalization were made at the end of the 19<sup>th</sup> century, but globalization appeared more fully in 1914 as a result of World War I<sup>22</sup>. The author apprehensively claims that a similar development may be occurring in our time because American foreign policy is not fully taking into account changes in the global economy. As a result, continental regionalism is strengthening, not global integration. The examples are NAFTA in North America, the European Union in Europe, and some groupings in East Asia. According to V. Zlatev, regional integration processes are «a form designed to partially resolve the contradiction among global interdependencies, re-

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<sup>21</sup> In this case, a stable situation exists of a balance between two opposite trends that arise from a permanent positive dynamic of development — growth in GDP and growth in consumption.

<sup>22</sup> Gilpin R., with Gitpin J.M. *The Challenge of Global Capitalism. The World Economy in the 21st Century*. Princeton (N.J.), 2000. P. 295.

quiring certain unification, and diversity of specific interests in the world community»<sup>23</sup>.

On the other hand, characterizing modern political and economic changes, Shimon Peres in his research titled «The New Middle East» wrote: «Up to the end of the 20<sup>th</sup> century, the concept of history had its roots in the European model of state policy characterized by nationalistic values and symbolism. The coming epoch will be increasingly characterized by the Asian model of governing based on economic values that assume the idea of exploiting knowledge to gain maximum profit as the main principle»<sup>24</sup>. A typological conversion of the social structure like that is completed by a demographic «orientation» of the world: approximately 5/6 of the planet's population reside (at the beginning of 1999) in developing countries that are also responsible for 97% of forecasted births.

### **New «integrity» of the world economy**

It can be assumed that the above-mentioned changes not only combine the once separate fragments of the world economic system, but also cause their transformation. Both the transition of the former structures and creation of global integrity are related to solving the most important problem – namely management guarantees on a new scale (geographically – planet-wide, administratively – at all tiers, from local to global)<sup>25</sup>. The solution to this problem, at the same time, meets the evolutionary demand for a transition to a qualitatively more complex world economic structure.

In this context, the integrity of a modern organized world economy is defined less in terms of a unified physical space of vital activities and more as an ability to simultaneously monitor global economic and social events in real time and of supranational institutions to quickly implement global governance decisions at every level.

This is especially apparent in the case of world trade relations within the framework of the World Trade Organization (WTO). Existing agreements demand that national legislation and economic

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<sup>23</sup> Globalization Dilemmas. Society and Civilizations: Illusions and Risks. / ed. T. Timofeev, K. Denchev, Y. Oganizyan, M. Emar. M., 2002. P. 528.

<sup>24</sup> S. Peres. New Near East. M., 1994. P. 188.

<sup>25</sup> In this respect, it is no wonder that many Western concepts of international relations aim at the substance and, therefore, legitimization of the complexity in world order. In this respect, the most interesting work is done by State Department official, A.L. Strauss, who proposes the concept of «uni-polarity». According to Strauss, «Uni-polarity is an end point of a certain evolution, the evolution that began at the times of early modernity when a multi-polar balance of power had been created; this balance later, in the 20<sup>th</sup> C. became bi-polar. The stages come in time and space as if doomed by 'the seal of inevitability:' multi-polarity, bi-polarity, uni-polarity».

policy conform to international policy standards. Trade policy changes in the member countries are also constantly monitored. Non-compliance may result in appropriate sanctions, which are a powerful tool of WTO influence over some countries. Therefore, a country's national economic policy nowadays is made to a greater extent within the WTO, IMF, and World Bank negotiation framework.

As a result, compared to that which existed earlier, an essentially different perspective on world economic development is forming according to specific changes in the clash of civilizations and by way of the transformation and establishment of various forms of linkages among the components of the global economy and at various levels<sup>26</sup>.

In particular, R. Keohane of Duke University and J. Nye of Harvard in their work «Power and Interdependence» argue that the present level of integration in the global economy can not be described as a mere growth in interdependence. Elsewhere, Keohane notes: «Interdependence between the U.S. and Japan is an important feature of modern globalism, but the term 'globalism' is broader than 'interdependence' because to be able to grant a global status to a network, the status has to be confirmed by taking into account not only quantitative shifts, but also intercontinental qualitative shifts; nowadays it can be fully confirmed»<sup>27</sup>.

At the same time, as a result of achieving a fundamentally new informational and technological level of global economic development (which has become the goal of policy-making), state borders are becoming more and more transparent. It is apparent, according to American theoretician R. Falk, that growing economic linkages, «multiplied by the influence of the Internet and global means of communication, which guarantee the dynamism of all forms of international economic relations and allow general and simultaneous news broadcasts» will drastically change our understanding of world order. The state under the influence of processes that are erasing borders will no longer play the dominating role in the world arena<sup>28</sup>. Questions about how open those borders are and the consequences thereof would have to remain unanswered. Some researchers, for example P. G. Katzenstein, R. O. Keohane, and S. D. Krasner, see the very essence of globalization in the growth of transparency.

In our opinion, the transparency of state borders has made the world, above all, interdependent. In any case, this is why some

<sup>26</sup> Michie, J., Smith, J.S. (eds.). *Global Instability. The Political Economy of World Economic Governance*. L.-N.Y., 1999.

<sup>27</sup> <http://www.finansy.ru/publ/pinter020.htm>; Keohane, R. O. (1995) *Hobbes's dilemma and institutional change in world politics: sovereignty in international society*. In H.-H. Holm and G. Sorensen (eds) *Whose World Order?* Boulder: Westview Press.

<sup>28</sup> R. Falk *World Orders, Old and New*. — «Current History», January 1999, p. 31—33.

authors link globalization to interdependence. Secondly, transparent state borders has changed previous conceptions of security, conflicts (including conflict resolution), the foreign-domestic affairs inter-relationship, and, most importantly, has erased the previously existing boundaries between foreign and domestic policy.

At the end of the 20<sup>th</sup> century, states had to take into account, on the one hand, international inter-state and non-governmental organizations and institutions, and, on the other hand, their own regions. In this context, state sovereignty is being undermined and the state is moving further and further from the principles formulated in the mid-17<sup>th</sup> century.<sup>29</sup> According to American political analyst S. Strange, in a new world «the global market undercuts the basis for sovereignty. The market slowly diminishes the active role of a national government, leaving it less and less space to maneuver. At the same time, globalization undercuts democratic control. Laws of the market are being enforced, not the laws adopted by parliaments»<sup>30</sup>.

There are, however, alternative points of view. Accordingly, the current structure of the world political and economical arena is unchallenged since state borders remain in place; the number of states is not getting smaller but, quite the opposite, even growing; the occasions for the state to exercise control over its citizens are growing in number; states themselves are actively creating international institutions and regimes; and finally, the global arena has no single participant or actor who can be trusted to play the leading role (i.e., the authority of all states in the hands of one state), etc.

Practically, however, all scholarly positions are unified behind the appearance of a new global market power. This power is personified in TNCs and banks that exert strong and independent influence. They act on the global arena with minimum limitations. Indeed, even local and transnational groups of people have a growing influence on a multitude of questions, from the construction of dams to fighting against governmental repressions.

### **Joint integration development: contradictions and prevalences**

In this context, we should emphasize some essential innovations in models of industrial development. According to this process, as

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<sup>29</sup> Viter, I. Transformation of the State's Role and Place during Globalization Development // *Visnyk of Ternopol Academy of Management*. — 2002. — № 8—12, pp.30—37.; Drobot, G.A. Changing Role of the State in the World Economy of the 20<sup>th</sup> C. // *Vestnik of Moscow Univ.* — 2002. — № 3, pp. 25—40.

<sup>30</sup> S. Strange. *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge, 1996, p. 4

scientists explain, a new feature either would be destroyed, or survive and become the leader, in the end replacing the old one. Today's development model, on the contrary, is created with the new model either adding to or filling the gaps of the old one, thus combining separate components and world economic elements into an integrated system. We propose to call this «joint integration development» (JID). Its mechanisms being conditioned on: depletion of the dominant social market; undermining of the subject-object division and the rigid center-periphery differentiation in the global economy; structural changes in the global economy; and the creation of a new (global) environment for economic relations. One characteristic feature of JID is development by way of «distinct-equality», with a high level of integration among micro-and-macro structures and the emergence of new reconstituting units of a global quality.

At the same time, this new development model has its own discrepancies due to the struggle between the old and new components in the global economic system for control over material and non-material development resources. These discrepancies sometimes contrast with social contradictions (as in the case of A. Giddens and P. Bourdieu), though the latter are globally modified depending on the changes in the role of social movements<sup>31</sup>. According to the Russian scholar, B. G. Stolpovsky, Swedish scholars assert that Swedish social democrats deviate from their traditional concept of a «prosperous state» that is based on the priority of human over market values. These priorities are switched around in discussions that continue nowadays about creating a new, expanded idea of a «social state.» «The paradigm of a prosperous state is changing», concludes the author.

In comprehending the real processes, we can detect, besides the social ones, a series of fundamentally important discrepancies that appear:

- between national and universal societies;
- between the traditional diversity of the structure of the global economic system and the dysfunctional diversity of its global components and elements;
- between the tendency of developing through distinct-equality and the universal character of the connections among the world economic components;

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<sup>31</sup> Leontyev, V. *Essays in Economics*. Transl. from English. Moscow, 1990. p.110; p.104.; Mareyev, S.N., Panchenko, V.I., Pokrytan, G.P., Solodkov, P.P. *Economic Theory for Industrial Practice*. Moscow, 1990. p.122; Chistilin, D.K. «Self-Organization of the World Economy: the Eurasian Project» — Moscow. Closed Company «Publishing House «Ekonomika», 2004. — 237 pp.; Giddens, A. (1991) *Modernity and Self — Identity*. Cambridge: Polity; Giddens, A. (1999) *The Third Way*. Cambridge: Polity.

- between the joint and independent development of countries, companies, and individuals<sup>32</sup>.

In other words, the individualism of participants in market relations «contrasts with» a new integrity, organization, and order that is forming in the contemporary economic system. This is summarized at the fundamental level of contradictions as between the need for survival and the imperative for the existence of a single economically effective global system. In this context, the globalization process is considered as a mechanism for coordinating interests with the purpose of development without conflict, to which K. Yasen-Butler, A. Shager, M. Kitting, A. Poruchnik, D. Lukyanenko, Y. Pakhomov, O. Bilorus, A. Philipenko, and S. Sokolenko draw our attention. These scholars consider that economic globalization is not simply an impressive milestone and an acceleration of previous tendencies, not the achievement of such an unprecedented scale of internationalization, but also a qualitative transformation which reaches out at a distance and already has approached the limits to its growth<sup>33</sup>.

In studying the emerging imbalance between the old and new elements of a developing, modern economic system, retaining the evolutionary consequences of the parameters of global economic development may play a consolidating role, which organization, integrity, and interaction (relations) already playing the lead and with no such role for organizational-institutional ruptures. This does not mean the absence of any contradictions or alternatives in the development of diverging points (E. Laso), whereby all structures of an economic system become extremely vulnerable and sensitive to the smallest fluctuation of irreversible global changes.

### **Transformation of global economic development: new phenomena and processes**

In our opinion, the qualitative features of the new global economic model are not conditioned by the broadened scale of the growing interdependence of micro — and macro — economic subjects, but by the salience of inter-related activity among global scientific, technological, and socio-cultural factors.

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<sup>32</sup> Gladys, I. New Level of Discrepancies Growing in a Globalized Market // *Visnyk of Ternopol Academy of Management*. — 2002. — № 8—1, pp. 186—192.

<sup>33</sup> Globalization and Development Security. Monograph. Bilorus, O.G., Lukyanenko, D.G., et al. Under supervision and edited by Bilorus, O.G — Kyiv: KNEU, 2001. — 733 pp.; *Modern Civilization Models and their Historical Roots* / Pakhomov, Y.N., Krymsky, S.B., Pavlenko, Y.V., et al. Ed. by. Y.N. Pakhomov — Kyiv: Naukova Dumka. 2002 — 632 pp.

The global economic community is changing from a number of more or less interconnected countries to an integrated economic system where national societies are parts of a single global economic organism and their shares are increasingly defined by the whole system's course of development. The most developed national economies determined the character, forms, and mechanisms of international relations in the past, as if imposing their method of economic cooperation on other countries and the world community as a whole. Nowadays, in the modern economic system, even domestic affairs of the great powers have to be adjusted according to the realities of internationalized development. We believe that this is the consequence of growing cooperation or a similarity of national interests among more and more countries. It is caused by the need to find answers to risks, threats and challenges that are intrinsic to globalization and modern transformational processes. Consolidated interests are formed on the basis of integrative unions, whose numbers have grown over the last decades; these interests are realized through national and supranational governmental mechanisms. Therefore, a new approach to international relations is being formed, one that rejects the subject-subject perception in favor of subject-object and which sees the world economy as an object of regulation, control, and unlimited expansion<sup>34</sup>.

Another important point is that at the end of the 20<sup>th</sup> century economic relations and interdependence among local (regional) economies of different national economic systems in the global system have unlimited similarities.

Also, this interdependence is not simply traced to bilateral relations between regional economies. Relations may be trilateral or multilateral (interconnections between a large number of economic regions of different adjacent and non-adjacent national economic systems).

In this case, the term «national market» is treated specifically, i.e., national markets take on the characteristics of a «community», of tight interconnections, and a substantial dependence on cross-border activities (development) of other economic systems. Such markets are not autonomous elements of national economies.

Mutual dependence among local (regional) economies of different national economies in the world arena create obvious preconditions for uniting these nations in efforts to build a multinational market. Such a market may encompass one or more national economies and

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<sup>34</sup> In this respect, a certain uneasiness among those researchers who are doubtful of global capital's ability to manage rationally the world resources is well understood. See Proskurin, S.A., *International relations in the post-Westphalia epoch*. — «Svobodnaya Mysl-XXI», 2003, № 5.

is similar to many local jurisdictions existing within the parameters of a single regional economic community.

Examples of non-adjacent interdependence are an important aspect of the present and future economic system.

The technological sphere is being built as an artificial medium of the activities of economic actors, forming a system of «concentric circles» that provide for the existence of this sphere. The structure of circles is (from the inside outward): the centre, a community of the most developed, «post-industrial» countries; countries that may quickly enter the sphere due to a high level of development or importance of their functions; countries that are sources of fuel and raw materials; countries neutral to the existence and development of the technological sphere; and other countries. At the same time, the struggle for control over markets, territories and natural resources on a global scale is intensifying. The leading role in this struggle is played by TNCs whose global activities are changing the very meaning of international relations<sup>35</sup>.

In general, the transnationalization of capital has become a characteristic feature in the institutional development of all modern world economic systems. It includes, first of all, big business, but may be present in medium-sized and even small-sized companies. If there were approximately seven thousand TNCs in the mid-1970s, then by the mid-1990s there were around forty thousand. According to data from the United Nations Conference on Trade and Development (UNCTAD), almost sixty thousand multinational companies existed at the end of the 1990s, with more than 500,000 subsidiaries in different countries. TNCs have become the main players in today's global economy. Countries that account for more than half of all TNCs are: Germany (7100), Japan (3650), Sweden (3550), Switzerland (3000), USA (3000), and Great Britain (2800). The Russian researcher, V. Andrianov, noted: «We can judge the scope of TNCs activities by comparing the volume of sales of some TNCs to the GDP of some countries. For example, at the beginning of the 1990s the annual sales volume of General Motors (U.S.) was greater than the GDP of even some developed countries such as Finland, Norway, and Denmark; the same is true for some large developing countries like Saudi Arabia, Indonesia, and Argentina»<sup>36</sup>. At the turn of the millennium, foreign subsidiaries of TNCs produce a value of total goods estimated at five trillion USD, whereas five hundred of the largest TNCs hold more than one-quarter of the world's goods

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<sup>35</sup> Shiman, M. The Role and Influence of Transnational Corporations in Global Changes at the End of the 20<sup>th</sup> century // Problems of Theory and Practice in Management. — 1999. — № 3. — pp. 24-31.

<sup>36</sup> Andrianov V. Transnationalization of Foreign Economic Relations // Marketing. — 2001. — N: 4, (59). — P. 3—12.

and services production, one-third of industrial exports, and three-quarters of trade in technology and management services<sup>37</sup>.

Nowadays, it appears as though TNCs are not controlled by national governments and, as a result of that acquired independence, capital flow has become a self-sufficient activity. According to data presented at UNCTAD (May 2000), the total value of mergers between various companies of various states, plus the total value of local companies absorbed by foreign ones totaled 720 billion USD.

It is expected that TNC investments will at least quadruple by the year 2020 and reach 800 billion USD. The value of goods produced by foreign subsidiaries of TNCs will grow at no lesser a rate (approximately 20 trillion USD). In this respect, a truly unified international system is emerging.

With the expansion of the internet, international industrial cooperation moved into a higher gear and a new infrastructure of the global economy was created. The internet gave impetus to the growth of infrastructure which provided for deeper economic integration and connections. In this respect, financial markets use electronic opportunities for performing daily operations worldwide with a total volume of 1,5 trillion USD<sup>38</sup>.

With all of this going on, competition at the micro, macro, and meso-levels are intensifying and «new» regional and global competitions are emerging. These are characterized by tight, intertwined connections with inter-state competition, an intensified struggle for geo-economic dominance. Under present conditions, regional competition is a multi-structured assembly of the competition among cities, marginal and sub-marginal territories, dynamic spatial infrastructure models, etc. New conditions compel most governments to adjust their national economic policies to the demands and desires of the adjacent countries and potential competitors. In an environment of «intensified competition», where capital flow accelerates, only some countries can afford to conduct an independent, to a certain degree, financial policy and to support some level of economic self-sufficiency.

Closed economic systems are forming within the borders of leading Western countries. This process can be traced in four directions: a concentration of the larger part of intellectual and technological human potential in the post-industrial world; a con-

<sup>37</sup> UNCTAD (1998a) *The Least Developed Countries 1998*. Geneva: UN Conference on Trade and Development; UNCTAD (1998b) *Trade and Development Report 1998*. Geneva: UN Conference on Trade and Development; UNCTAD (1998c) *World Investment Report 1998*. Geneva: UN Conference on Trade and Development; UNCTAD (2001) *World Investment Report 2001*. Geneva: UN Conference on Trade and Development.

<sup>38</sup> Bratimov, O.V., Gorsky, Y.M., Delyagin, M.G., Kovalenko, A.A. *Globalization Practice: Games and Rules of the New Epoch*. — Moscow: INFRA-M, 2000. — 344 pp.

centration of the circulation of trade within the community of developed countries; closed principal investment flows and strict limits to immigration from the «third world» to the planet's developed regions.

The first of these seems the most obvious. The last decade in the world's development is characterized by significant spending by developed states on innovatively re-equipping their own economic systems. For example, OECD members spent on the average approximately 400 billion USD on scientific research and development, the U.S. share being 44 %<sup>39</sup>. Until 1999, members of the «big family» owned 80.4 % of the world's computer equipment and provided for 90.5 % of high technology production. The U.S. and Canada accounted for 42.8 % of all global spending on research-development-test-evaluation work, whereas Africa and Latin America's combined figure was equal to less than 1 %. Until the mid-1990s the leading Western countries controlled 87 % of all registered patents in the world. U.S. investments in high-technology development were 36 times as much as those in Russia. In the second half of the 1990s, a situation developed whereby only 5 % of trade capital did not flow to the group of developed states and at the exclusion of 29 members of the OECD. Moreover, imports of goods and services by developed countries from developing countries is estimated at no more than 1 % of the latter's combined GNP<sup>40</sup>. Therefore, trends in international trade undoubtedly show that insularity in the post-industrial world is growing. This can be confirmed by the concentration and increase of investment flow within the limits of the group of developed countries.

Thus, the share of developing countries in the combined volume of global investments steadily was declining, from 25 % in the 1970s to 17 % in the 1980s. In the last twenty years an even greater polarization have been happening: due to the fast growth of cheap production lines in South-East Asia, large volumes of investment have been redirected to this region. As a result, the combined investments of the U.S., Japan, European countries, as well as Asian investments from Singapore, China, Malaysia, Indonesia, Thailand, Hong Kong, and Taiwan amounted to 94 % of the total volume of foreign direct investments in the world. On the other hand, eco-

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<sup>39</sup> Globalization and Development Security. Monograph. Bilorus, O.G., Lukyanenko, D.G., et al. Under supervision and edited by Bilorus, O.G — Kyiv: KNEU, 2001. — 733pp.; Chistilin, D.K. «Self-Organization of the World Economy: the Eurasian Project» — Moscow. Closed Company «Publishing House «Ekonomika», 2004. — 237 pp.; OECD (1997) Communications Outlook. Paris: Organization for Economic Cooperation and Development.; Sakamoto Y. (ed.). Global Transformations. NY-Tokyo, 1992. — P. 296.

<sup>40</sup> Bratimov, O.V., Gorsky, Y.M., Delyagin, M.G., Kovalenko, A.A. Globalization Practice: Games and Rules of the New Epoch. — Moscow: INFRA-M, 2000. — 344 pp.

conomic actors that are not members of the OECD are responsible for no more than 5 % of the volume of foreign direct investments in the world.

At the same time, investments in the U.S. economy have grown by thirty times over twenty years. British, Japanese, Canadian, French, German, Swiss, and Dutch corporations underwrote 85 % of all investments in the American economy. It is significant that companies representing the developed countries invest up to 80% of their finances in the spheres of high-technology, and also in the banking and insurance business<sup>41</sup>.

Naturally, the above-mentioned new phenomena and processes have not yet reached civilizational proportions and are still evolving at different levels. The global economy, however, is evidently losing its traditional locality. Our usual notions about national territorial sovereignty are being transformed into more complex terms such as geo-economic regions, continental and intercontinental spaces with conditional (titled) geographical surveys.

At the same time, the modern global economy is integrating the spheres that have maintained their own mechanisms of development. The interests of these spheres have seldom coincided, especially in the production of high-technology, intellectual products, natural national monopolies, etc. The most important result of this expanding process is likely that the former international division of labor based on interactions among the «developed industrial base of the world», half-peripheral economies that finish their process of industrialization, and peripheral underdeveloped countries is changing towards a unified global economic system. The «global triad» – North America, the European Union, and East-West Asia dominates this system. These are the countries that host the main global productive forces, the «mega-markets» of the world economy, with TNCs playing a predominant role.

## Conclusions

Therefore, we have every reason to believe that at the turn of the 21<sup>st</sup> century the global economic system entered a new period of divergences; that many various integrative and disintegrative processes in society have definitely raised their voices in the last years; that nowadays a new world economic order is being built, its construction far from completion, and therefore, there may be no valid

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<sup>41</sup> UNCTAD (2001) World Investment Report 2001. Geneva: UN Conference on Trade and Development; UNDP (1998) Globalization and Liberalization. New York: Oxford University Press.

prognoses for its future. Economic borders, different from political state borders, keep appearing on the world map.

New features of global development processes give rise to a discussion about the pre-paradigmatic period that, taking into account the new globalization paradigm, causes a search for a new design and alternative models of world development. The right choice for the most effective model must combine positive features of the previous period (with the corresponding adaptations to future changes) with new essential features determined by the irreversible nature of globalization's influence on the economic system on a planetary scale.

Not only do today's global factors combine fragments of the world economy, but they also call forth transformational changes to those fragments.. Both the transition of the former structures and creation of global integrity are related to solving the most important problem — namely management guarantees on a new scale (geographically — planet-wide, administratively — at all tiers, from local to global). The solution to this problem, at the same time, meets the evolutionary demand for a transition to a qualitatively more complex world economic structure.

Thereupon, we believe that:

- The contours of global economic development can be defined by way of inter-paradigmatic reflection;
- The volume of deviations of the traditional paradigm of world economic development from the real trends has grown to a critical mass with qualitative and quantitative changes;
- Former leaders-subjects lose their homogeneity, theoretically-elaborated integrity contrasts with the true segregation, and a mono-system becomes a multi-system;
- There are changes in the clash of civilizations, and also there are true preconditions for the emergence of a new development model, its boundaries far from being finalized; these contain their own new contradictions and a change in the role of social movements;
- It is common and usual to form a foundation for the new kind of global economic system's integrity.

Having said that, it should be duly noted that new visions of world community development leave a lot of questions unanswered. For example, is the growing complexity of the world economic order an attribute of development in general, or only of one particular kind of development, namely progressive? Is the development process necessarily only one stage, since forward movement may not be one stage? Or, is linearity an invariable quality of a new global economy's formation?

Concerning that matter, the following problems demand our close attention and research:

✓ Formation of a new geo-economic structure of the global economy that combines the principal regions together in a united economic universe;

✓ Transformation of the state's role, formation of transnational «country-systems», and change in the principles of design for supranational management systems;

✓ Growing disproportions in the world economy, along with an increase in social polarization.

The formation of a new interconnected and interdependent world is a «painful» process. This problem, along with all the above-mentioned problems, (and also with a multitude of problems not mentioned here) makes research on comprehending the ways and means to minimize possible negative consequences of globalization processes extremely timely and necessary. For the benefit and future development of all mankind, these globalization processes have to be optimally directed.

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