Available online at www.sciencedirect.com

ScienceDirect

Procedia Economics and Finance 32 (2015) 131 – 138

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

Emerging Markets Queries in Finance and Business

International Trade, Globalization and Economic Interdependence between European Countries: Implications for Businesses and Marketing Framework

Marius-Răzvan Surugiu[a,*], Camelia Surugiu[b]

[a]*Institute of National Economy – Romanian Academy, Calea 13 Septembrie 13, Bucharest, Romania*
[b]*University of Bucharest, Faculty of Business and Administration, Regina Elisabeta Blvd, 4 – 12, Bucharest, Romania*

Abstract

International trade has an important share in GDP in different countries. Various companies from different countries are looking for new growth opportunities beyond their home country borders. Due to international trade, important sectors of the economies can be stimulated, such as transport and ICT sectors. Thus, international trade can be important for business, due to profits growth prospects, reduced dependence on known markets, business expansion, etc. The increase of international trade over the years has been a result of the globalization process. Thus, both consumers and companies can now choose from a wider range of products and services. Also, globalization refers to the interdependence between countries arising from the integration of different aspects of the economy, such as trade. International trade can stimulate economic growth of countries that are now so interconnected. Currently, globalization cannot be ignored by businesses, due to the opportunities offered by foreign markets.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0/).
Selection and peer-review under responsibility of Asociatia Grupul Roman de Cercetari in Finante Corporatiste

Keywords: trade; globalization; economic interdependence; European Union; Romania

* Corresponding author. Tel.: +40-724-979-724
E-mail address: mariussurugiu@yahoo.com.

2212-5671 © 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0/).
Selection and peer-review under responsibility of Asociatia Grupul Roman de Cercetari in Finante Corporatiste
doi:10.1016/S2212-5671(15)01374-X

1. Introduction

In a dynamic business environment, with evolving markets where globalization puts its mark on the specific development, the companies' decisions in the area of marketing are crucial. Companies can market their products and services because they have previously conducted activities related to increasing awareness, and also promotion activities. Furthermore, the impact of local culture on marketing activities and market research conducted to investigate the relationship between consumers' interest and attitudes towards company products have an important role. Also, it is necessary to take into account per capita income from the target market, in order to evaluate how potential consumers will be influenced by marketing policy decisions. Today, companies want to be able to access international markets, which may open new opportunities for business development. Thus, international trade appears supported by the process of globalization, with a market beyond the borders of home country. International trade refers primarily to trade in goods and services across the border of a country. Multinational companies play an important role in the development of international trade, among other factors such as globalization and outsourcing. Due to international trade, consumers in different countries can purchase goods and services which are made abroad, implying significant resources, as a border crossing requires certain costs, such as some taxes, and economic, social, cultural, legislative and political differences between countries.

It is important for a company that wants to market their products and services in other countries, to consider local culture and local language, thus to be able to find a strategic position successfully in the market. Companies face many challenges on the market, not only in terms of marketing products or services. They must have an effective planning program, and develop effective strategies for sourcing, transportation, marketing activity, with demands and results that differ from one country to another, subject to different regimes related to trade policies, legislation, infrastructure, culture, etc. Also, companies need to be socially and environmentally responsible, requiring to engage in these actions for the good of society, but also to build a successful business.

2. Globalization and interdependence between countries

Globalization is a process of international integration, and its development is due to increased exchange of products, services, etc. at global level, also with the influences of other aspects related to cultural and social environment. This process has been influenced over the years by the development and progress in various fields, from ITC to transport which support the growing interdependence between marketing activities and other business operations like management, logistics, accountancy etc. Growth and diversification of the production process for various products such as textile, machinery, development of channels of communication, etc. were decisive factors in the development of changes that occurred in the 19th century, the 20th century being influenced also by developments in the area of ICT and transportation. Globalization is a complex process having social, environmental, cultural implications, being strongly connected with economic mechanisms, and various aspects related to markets, production, etc. which need to be discussed and considered when developing specific marketing activities beyond the borders of a country. Globalization shows influences related to expansion of investments in different countries, international trade development, communication development, etc. Globalization in the economic area refers to interdependence of economies of countries due to increased cross-border flows of products, services, capital, etc. Economic globalization involves various aspects of economic life such as production processes, finances, markets, institutions, labour force, etc. World countries are becoming not only increasingly economically interdependent, but in the process of global economic integration, they should consider avoiding possible negative outcomes in the social area, environmental area, etc.

In order to measure economic globalization variables such as trade, foreign direct investment, income, etc. are used. In the literature, an index of globalization used is the KOF Index of Globalization, which measures three dimensions of globalization, namely the economic, the social and the political one. From 2010 to 2013, the KOF Index of Globalization registered a growth for 11 countries in the EU, and a decrease in the case of 17 countries (see Fig. 1). In 2013, the highest values were registered by Belgium (92.3), Ireland (91.79), Netherland (91.33), and Austria (89.48) and the lowest values were found in Latvia (69.00), Bulgaria (71.73), Romania (72.53), and Lithuania (72.79). Another index is the Enabling Trade Index which refers to factors that facilitate cross-border trade in goods, taking into account aspects such as: market access, border administration, transport and communication infrastructure, and operating environment (see Fig. 2). According to this index, some developed countries recorded a higher value, compared to developing countries. Thus, in 2014, the highest values were registered by Sweden (5.10), Finland (5.20), United Kingdom (5.20), and Netherland (5.30), and the lowest values were found in Romania (3.90), Bulgaria (4.00), Greece (4.00), and Croatia (4.20). In this case, there is a connection between the level of development achieved by a country and the development of institutions, infrastructure, ICT area, etc.

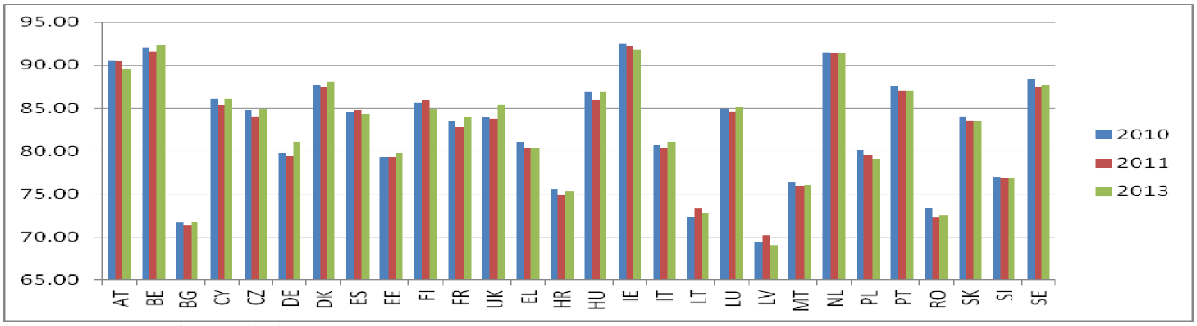

Fig. 1: KOF Index of Globalization
Source: created based on data from http://globalization.kof.ethz.ch.

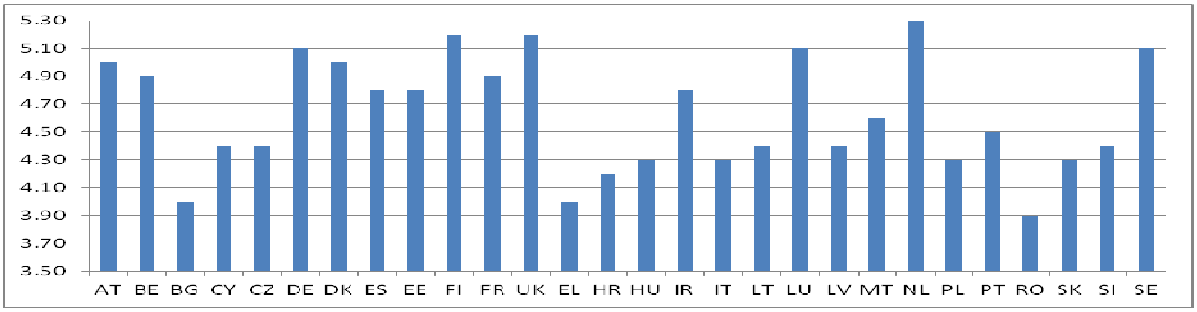

Fig. 2: Enabling Trade Index, 2014
Source: The Global Enabling Trade Report 2014, World Economic Forum, 2014.

Due to globalization, countries are becoming increasingly interdependent. Economic interdependence refers to the relationships that are between countries, in which each country is dependent on another for necessary goods or services. Economic interdependence is occurring due to specialization of countries, as they are dependent on others in the purchase of products which are not manufactured nationwide. An example of such interdependence is found in the European Union with countries having a degree of specialization that is due to factors such as labour, capital, culture, etc. Thus, EU countries register a dependency on each other for products or services related to energy supply, food, clothing, etc.

Currently, multinational companies have the ability to grow quickly, and they develop activities in almost every country in the world. Various brands have in present a global image, this development being also the result of the progress in the ITC area. With the expansion of the Internet, the companies do not have national boundaries any more, requiring marketers to create their strategies to ensure that brands use the potential of the global market. Marketing is a process that takes place globally, following the path of the production processes.

3. Trends in international trade

For a country, trade globalization refers to the output crossing the border, and to the number of jobs connected with foreign trade. The globalization of trade represents the share of the total volume of trade in GDP (Baccaro, 2011). According to Chase-Dunn (2002), trade globalization is the ratio of world export divided by all national GDPs. At global level, it represents the share of total global trade in GDP, the sum for all countries. Exports of goods and services in EU countries recorded different levels in the period 2005-2012 (see Fig. 3). In 2012, high values of export' shares were found in Belgium (86.1%), Netherlands (88.0%), and Estonia (90.6%), and low levels were found in countries such as Greece (27.0%), France (27.4%) and Italy (30.2%). Imports of goods and services in EU countries recorded changing levels from year to year, with high shares in GDP in countries such as Netherlands (79.6%), Belgium (85.0%), and Estonia (90.3%), and low levels in Italy (29.1%), France (29.6%), and Spain (31.9%).

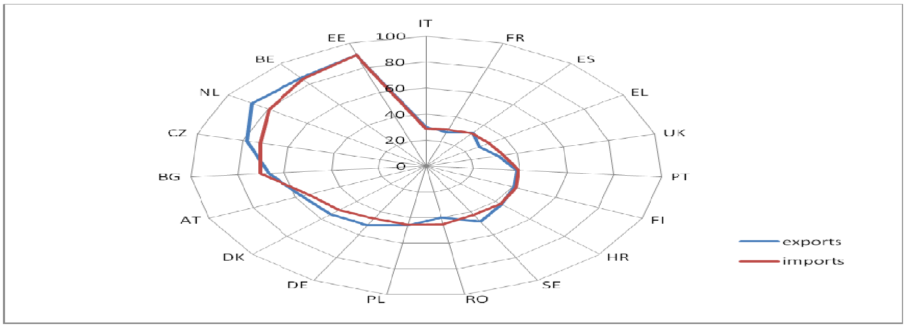

Fig. 3: Imports and exports of goods and services (% in GDP) in 2012, in some EU countries
Source: created based on data from World Development Indicators (2014), http://databank.worldbank.org.

World merchandise exports rose by 2.1% in 2013. Highest increase was observed in developing Eastern Asia (6.5%). Imports increased in developing countries from Western Africa (8.6%) and Eastern Asia (6.2%). Exports declined in Northern Africa (-10.6%), developed Oceania (-5.8%) and developed Asia (-5.5%) (UNCTAD, 2014; WTO, 2013). According to Eurostat, the ratio between exports and imports in the EU28, total - all products registered a value under 1.0 in the period 2005-2012, between 0.8 and 0.9, in 2013 the value of the ratio being 1.0. In the EU, the share of national imports in world imports, total - all products increased from a value of 12.5% in 2005 to 14.2% in 2013. A similar growth was registered for the share of national exports in world exports from 11.5% in 2005 to 14.9% in 2013.

In 2010, world exports of goods amounted to 18323 billion US dollars and the value of commercial services exports amounted to 4345 billion US dollars. In 2010, world merchandise exports increased by 22%, and exports of commercial services grew by 10% (WTO, 2013). China's trade volume has an important role in world trade and during 2010-2012 exports and imports registered significant increases. Also, India stands with significant volume of traded goods. In 2011 and 2012, in Europe and in South and Central America, the real growth of imports and exports were lower compared with the situation in other regions, in the same time a stagnation of the economies in the region being recorded. For 2010 and 2012, U.S. imports were higher than the world average, helping to maintain volume growth of global trade. According to Eurostat (2011), the evolution of intra-EU27 trade of Romania in the period 2005-2010 show an upward trend, but there is also a trend of reduction of trade relationships of Romania with other European countries (e.g. dispatches of Romania to United Kingdom, Austria, and Malta) (see Fig. 4). In the case of intra-EU27 arrivals of Romania there are similar trends, increasing flows with some countries, and decreasing flows with other countries (in relations with countries such as United Kingdom, Sweden, Finland, Italy, France, Spain, and Ireland).

In the hierarchy of main trading partners of Romania, Germany and Italy are on the top two places in 2012, with a share of 29.5% in international trade. Romania exports to Germany a variety of products, such as:

machinery, appliances and electrical equipment, apparatus for recording or reproducing sound and images; transport means and materials; textile materials and articles; base metals and articles. For imports, the products traded from Germany are represented by: machinery, appliances and electrical equipment, apparatus for recording or reproducing sound and images; transport means and materials; plastics, rubber and articles; base metals and articles; chemicals products.

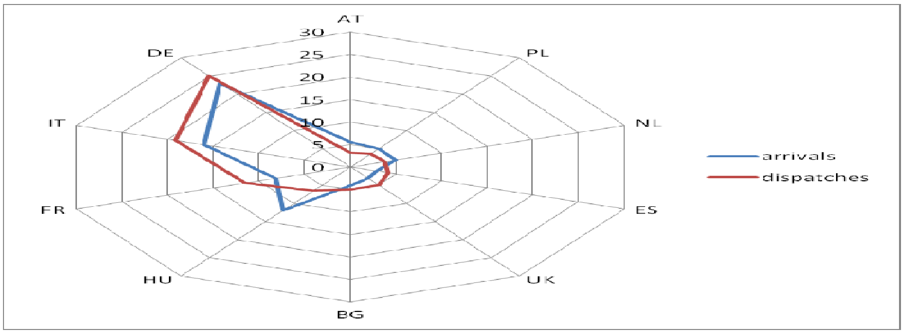

Fig. 4: Intra-EU arrivals (from) and dispatches (to) of Romania, some EU countries (%), 2010.
Source: External and intra-EU trade. A statistical yearbook. Data 1958 – 2010, Eurostat, 2011 Edition.

In relation to Italy, Romania's exports are focused on products such as: textile materials and articles; machinery, appliances and electrical equipment, apparatus for recording or reproducing sound and images; shoes, hats, umbrellas and similar items; base metals and articles; transport means and materials. For imports, the products traded in relationship with Italy are: machinery, appliances and electrical equipment, apparatus for recording or reproducing sound and images; base metals and articles; textile materials and articles; raw hides and tanned skins, fur and products from those (INS, 2013). Similarly, the evolution of trade between Romania and the extra EU27 countries in 2005-2010 shows an upward trend, also with a trend of reduction of trade with some countries (e.g. extra EU27 exports of Romania with USA and Canada). In the case of extra EU27 imports of Romania similar trends are observed, of increasing flows with some countries, and also of decreasing with other countries (in relations with countries such as Russia, USA, Japan, Hong Kong) (Eurostat, 2011).

Globalization has a major impact on the economy, and many countries have liberalized international trade, with results such as the intensification of flows of goods and services. Globalization in the trade area can provide benefits such as a higher rate of economic growth, improved living standards, etc., but also another situation may exist if not all countries benefit equally from globalization. Thus, for developing countries, the benefits may relate to aspects that emphasizes improved access to global markets for the products of these countries, improvements in the access of these countries to technology, etc.

4. Implications for businesses and marketing framework

Currently, people and companies are experiencing a sharing economy, where people are not just buyers but, at the same time, sellers of things, while the financial resources and natural resources are more efficient, resilient, sustainable and innovative used, and personal and social connections among people are deeper and more profound, resulting in collaborative models of consumption, production and marketplace creation. In this type of economy, supported by the development of new technologies, the trust and reputation are the main pillars and drivers for development. Consequently, the marketing efforts on international level should concentrate to integrate the principles of sharing economy in the business models and should commit to local communities (Rinne, 2013). Still, in order for businesses to have success on long-run, it is necessary not only to penetrate new international markets and expand the consumer-base, but to focus in creating value for as many stakeholders as possible. Sheth and Parvatiyar (2001) underline that macroeconomic forces are reshaping the world, namely: integration and the emergence of the triad power, technology advances, especially the adoption of information technologies in business operations; emergence of an ideology-free world and the role of the market economy policy. The borderless markets is a consequence of global sourcing and global competition - which have a major contribution in transforming international marketing into integrated global marketing with transnational similarities. At some point, businesses need to take risks and go internationally, and for this it is needed cooperation, partnership and alliances, involving the customers in the development of the strategy, permanent communication in networks, in learning groups, with suppliers, customers, competitors; development of human resources through training, etc. (Lewis and Housden, 1998). Visualization of the future is possible if the communication with all stakeholders is permanently insured and the strategic planning is well performed in order to include all company departments.

The decision of business internationalization is related to various determinants such as: worldwide political relaxation process; increased independence of national economies emphasized by the aspiration for world states for mutuality; successful competition in the business world, in all geographic areas; companies currently operating worldwide activities and the ones especially coming from Asian countries; diffusion of new technologies and key technologies and their development, particularly in the information and communication field; globalization of world markets in terms of blurring the specific differences between them (Pop et al, 2011). One of the main challenges is to incorporate the digital technologies in the companies' activities which need significant investments in infrastructure for its construction or expansion. Businesses have tremendous opportunities if valorising the ICT (i.e. television, radio, satellite systems, Internet, wireless networks, cellular phones, computer hardware and software, voice over IP, social networking), opportunities which are challenging them to change their vision and operations, while offering tremendous market opportunities for both large and small companies.

When businesses relocate abroad, the advantages offered by these decisions become the main objectives. These objectives that companies have to pursue when going abroad are motivated by: exploiting market potential and growth; gaining scale and scope returns at home; learning from a leading market; pressuring competitors; diversifying markets; learning how to do business abroad, adding new experiences and learning new skills along with finishing new complex tasks; building and strengthening the competitive position; lengthening or rejuvenating product life cycles; technological advantages; fiscal advantages; overproduction; increasing interest for marketing practices; capitalization of labour force advantages in terms of skills and costs; increasing the reputation of the company through global image (Sasu, 2005; Czinkota and Ronkainen, 2007; Johansson, 2009; Danciu, 2009; Pop et al, 2011). Also, it is important to emphasize that for the businesses operating internationally, sales and profitability remains important, while they are constantly monitor and challenge the movements of the competitors and study the customers, learning from them in order to diversify and adapt to the specific needs (Johansson, 2009).

Marketing capabilities are not to neglect in a company, contributing to overall business performance. According to Wu (2013) managers should invest and build marketing capabilities, and understand in what circumstances marketing capabilities are more or less effective. The results are showing that once with the economic development, the marketing capabilities become more effective, but still their effect becomes weaker as the legislative system improves and consequently, firms should invest in other capabilities such as technology in order to preserve their competitive advantage. Still, companies are dealing with various circumstances and problems when operating on an international base, these challenges encountered being in most parts related to marketing aspects (Czinkota and Ronkainen, 2007) and as soon as the managers are aware of them they can act consistently as participants in global business environment.

The rising importance of marketing in both developed in developing countries is strongly connected to globalization process. Still the marketing expenditure needs to be effective in order to create added value for the companies. According to Boston Consulting Group research, the advertising expenditure of large companies (Fortune 500 companies) are higher than on capital investment, nearly a third devoted as much to advertising as to capital expenditures. The estimations are showing that companies spend more than 1 trillion US dollars a year on marketing globally. Consequently, companies need for a strong analysis of portfolio of brands and markets in order to improve the efficiency and impact of their investments and further more to concentrate the spending of higher-return initiatives, while finding the proper instruments in order to measure marketing performance across the global business (Field et al, 2013).

In order to be able to develop a successful company strategy, and allocate effectively the budget, the marketing-planning process need to be one of the core elements for a proper internationally expansion strategy, while the managers are concentrated on the identification and valorisation of the competitive advantage and the marketing performances are periodically evaluated by the senior global executives. Business strategies need to be more offensive than ever in order to maintain the company on the market, to make it profitable and preserve the competitive advantages during time. The CEO and marketing manager can concentrate their decisions through engaging their resources to enter into new markets or to invest in other connected sectors, and not matter what is the decision, the focus point need to be on innovation and development of new products and services.

In order to sustainably compete on the global market, the companies need to be adaptive, this offering them competitive advantages. Still the concept of adaptability is further more complex, comprising not only experiments related to products and services, but also including business models, processes, and strategies, skills in managing complex multi-stakeholder systems. The starting point for adaptation is the complete and conscious analysis of the external environment and rapidly decision making to reinvent the business model, in order to include knowledge flow, diversity, autonomy, risk taking, sharing, and flexibility, but also closer and smarter relationships with customers and suppliers (Reeves and Deimler, 2011). Many researchers strive for adaptation in international marketing, while others suggest standardization. There is no recipe generally available for all business cases that need to be applied for the marketing-mix, as it depends more on circumstances, resources and capabilities, local context and so on. Looking for similarities across countries, marketing decisions could be standardized, while analyzing more closely the differences; the marketing managers will need to take the decision for adaptation and customization. Ghauri and Cateora (2011) embrace the idea that on an international scale, companies should look for similar demands that could be satisfied with the same product, standardizing the components of the marketing mix, still other components need to be adapted taking into consideration cultural differences.

From theoretical point of view, marketing principles may be fixed, still taking into consideration the cultural, administrative, geographical, economic environment specific in each country, for international companies, the marketing mix cannot be fixed (Onkvisit and Shaw, 2004), being necessary for adaptive measures bearing in mind a proper investigation of the market. Kolk and Margineantu (2009) suggest that the proponents of standardization are more bound on globalization literature which underlines homogenisation of markets and buyer behaviours. Still, the cultural, administrative, geographical, economic distances between countries cannot be ignored in the business efforts for internationalization, thus it is needed for adaptation and in some cases for regionalization of marketing decisions.

For Romania, the marketing environment has developed in a significant pace during the last twenty years, but the gaps still exists as compared with developed countries and even other developing countries. According to *The Global Competitiveness Report 2013–2014,* Romania was placed 93rd position from 148 countries in the *extent of marketing,* with a weighted average value of 3.9 – below the world mean value (4.2 of 7) the same as Senegal, Russian Federation, Bosnia and Herzegovina, Seychelles, Croatia and Gambia, underlining the low concentration of the management efforts on the importance of this activity for the business development. Consequently, even if we speak about adaptation or standardization it is clear that an international business environment creates benefits for countries and population in terms of employment, improvement of the standard of living, reduces inflation, energizes business, stimulates a better development of the marketing environment, etc.

5. Final remarks

Nowadays, globalization cannot be ignored by businesses, first because of strong competition on the domestic market, but also to the opportunities provided by the foreign markets and foreign customers. Global marketplace encompasses economically, culturally and technically multilateral and interdependent countries and for this reason the marketing orientation on international level is vital and a critical area for managers (Doole and Lowe, 2008) – which need to plan, adjust and implement the marketing strategy to the specific objectives of the overall strategy of the company.

Globalization is the process where the economies of different countries are interconnected, and consumers in one country can easily buy products from other countries. Globalization was supported by aspects such as the increase in trade across national borders, reduction of trade barriers, simplification of procedures, etc. Both advantages and disadvantages come with globalization, among which is a better offer of products and services for consumers, cost reduction for companies, the access to new markets, etc. on one hand, but there are influences on the economies of developing countries, lack of small companies' ability to compete with larger ones, etc. on the other hand. Globalization influences the development of companies, offering the opportunity to address the global market by exploiting advantages, and the way of developing activities at international level varies depending on company size. But for any company, of any size, the international environment has opportunities, challenges, and also risks and the latter can be reduced through effective planning.

References

Baccaro, L., 2011. Labor, globalization and inequality: are trade unions still redistributive? in Brady, David (ed.), 2011. *Comparing European Workers Part B: Policies and Institutions*. Emerald Group Publishing Limited.

Chase-Dunn, C., 2002. Globalization: A World-Systems Perspective, in Preyer, G., M. Bös, 2002. Borderlines *in a Globalized World: New Perspectives in a Sociology of the World-System*. Kluwer Academic Publishers.

Czinkota, M., Ronkainen, I., 2007. *International Marketing*, 8th Edition, Thomson Higher Education, Thomson South-Western, Mason, USA.

Danciu, V., 2009. *Marketing international – Provocari si tendinte la inceputul mileniului trei*, Ed. a doua, Editura Economica, Bucuresti.

Doole, I., Lowe, R., 2008. *International Marketing Strategy: Analysis, development and implementation*, 5th edition, British Library Cataloguing-in-Publication Data, Seng Lee Press, London.

Eurostat, 2011. External and intra-EU trade. A statistical yearbook. Data 1958 – 2010.

Field, D., Rastogi, V., Rich, N., 2013. Marketing Excellence in a Globalizing World: Five Steps for Optimizing Returns in RDEs, Boston Consulting Group https://www.bcgperspectives.com/content/articles/marketing_media_entertainment_marketing_excellence_globalizing_world.

Ghauri, P., Cateora, Ph., 2011. *International Marketing*, Edinburgh Business School, Heriot-Watt University.

INS, 2013. Anuarul de comert international al Romaniei.

Johansson, J.K., 2009. *Global Marketing – Foreign Entry, Local Marketing & Global Management*, 5th Edition, McGraw-Hill/Irwin.

Kolk, A., Margineantu, A., 2009. Globalisation/regionalization of accounting firms and their sustainability services, International Marketing Review, 26(4/5): 396-410.

Lewis, K., Housden, M., 1998. *An Introduction to International Marketing: A Guide to Going Global*, Kogan Page Limited, London.

Onkvisit, S., Shaw, J., 2004. *International marketing – Analysis and Strategy*, 4th Edition, Routledge.

Pop, N., Dabija, D., Pelau, C., Dumitru, I., Petrescu E.C., 2011. *Marketing international – teorie si practica*, Editura Uranus, Bucuresti.

Reeves, M., Deimler, M., 2011. Adaptability: The New Competitive Advantage, Boston Consulting Group, http://www.bcg.com/expertise_impact/capabilities/strategy/publicationdetails.aspx?id=tcm:12-105460&mid=tcm:12-84577.

Sasu, C., 2005. *Marketing international*, Editia a III-a Editura Polirom, Iasi.

Schwab, K., Sala-i-Martín, X., Brende, B., 2013. Global Competitiveness Report 2013–2014, World Economic Forum, Geneva.

Sheth, J., Parvatiyar, A., 2001. The antecedents and consequences of integrated global marketing, International Marketing Review, 18(1): 16-29.

Rinne, A., 2013. Young Global Leaders Sharing Economy Dialogue Position Paper 2013, Circular Economy Innovation & New Business Models Dialogue, World Economic Forum, Geneva.

UNCTAD, 2014. World merchandise exports grew by 2% in 2013, while trade in services recorded a 5% global increase, http://unctad.org/en/Pages/Statistics.aspx.

Wu, J., 2013. Marketing capabilities, institutional development, and the performance of emerging market firms: A multinational study, International Journal of Research in Marketing, 30: 36–45.

World Economic Forum, 2014. The Global Enabling Trade Report 2014, http://www3.weforum.org/docs/WEF_GlobalEnablingTrade_Report_2014.pdf.

WTO, 2013. World Trade Report, Factors shaping the future of world trade.

Wymenga, P., Spanikova, V., Barker, A., Konings, J. Canton, E., 2012. EU SMEs in 2012: at the crossroads, Annual report on small and medium-sized enterprises in the EU, 2011/12, ECORYS.

***, KOF Index of Globalization, http://globalization.kof.ethz.ch.

***, World Development Indicators, 2014. http://databank.worldbank.org.