

THE EFFECTS OF GLOBALIZATION IN THE CAR INDUSTRY

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Abstract: Globalisation in the automotive field began ever since Henry Ford patented the large series production of the car, even if the phenomenon of globalization is still not totally understood.

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Globalisation of the automotive industry implies the extension of the operations of a company beyond the borders of the country of origin, for the purpose of marketing the products on new markets, with smaller costs and greater profits. There is no standard definition of globalisation as we deal with a constantly changing phenomenon. Only its goal is very clear: increase of sales and, especially, of profits.

For many of the developing countries, the automotive globalisation may represent the necessary motivation on the road of economic evolution. In theory, a third of the planet's inhabitants are potential clients of new cars. In order to afford a new car, a client should also reach a certain level of income. There are other non-automotive factors here, such as regional economies, political and cultural situations or limitation of resources. Hence, the automotive globalisation is a large equation with many variables and unknown sides.

As the aspects of globalization are highly diverse and they may be found in all fields directly or indirectly related to the life and evolution of human society, in general, and of each individual, in particular, it is worth to analyse who are the beneficiaries and who suffers losses due to the spread of the phenomenon of globalization.

The exposure of different developing or undeveloped countries, to the requirements and advantages of globalization, depend of many factors, among which:

resources owned by these countries;

level of development of infrastructure reached by that country;

level of political stability existing in the respective country or region;

the weather conditions, the environment and various historical objectives favourable to the development of tourism;

the level of education and qualification of the respective people;

the perspectives of developing in the foreseeable or distant future;

the distances of the main water or air transportation services;

geographical and strategic position at global level.

Many times, not all these factors are concurrently taken into consideration by the investors. Even some of these factors may attire investors.

Among the **positive effects** of globalisation, we shall point out:

production internationalization thanks to the companies with a global activity;

quick assimilation of new technologies;

privatisation reaches global levels;

telecommunications eliminates the distances and brings people physically closer and ensures the awareness of global issues;

financial and commercial markets get to the stage of integrating their activity and operation;

supporting the political and economic reforms;

sustaining the people's desire to live in a system governed by law and based on the law;

stimulating the integration;

reducing the probability of war and of using the military force;

cultural enrichment by symbiosis and convergence.

One of the effects of globalization is represented by the improvement of the relations among the developers of the same industry from different regions of the world, the globalization of an industry, but also an erosion of the national sovereignty on the economic field.

Beginning with the moment when the American market and the Western European one reached a certain degree of saturation, many producers migrated towards the developing markets, such as the Romanian one. One of the migration reasons is related to the costs involved by the

inauguration of some production facilities in Romania, which are very low compared to other markets.

Car manufacturers do not perform the entire manufacturing process of the cars. They only design and assemble the parts, as they are generally performed by different suppliers. Thus, we may assert that the car became global. The development and the innovation in the automotive field were all the time supported by competition and investments. The main automotive brands started off based on their desire to innovate, to develop, engineering pride or of any other nature, but also motivated by their nationalism.

The major car manufacturers have a particular interest in the phenomenon called globalisation, even if it may also imply certain disadvantages and dangers, not only benefits. The transition from the local planning to the global one implies not only vision, but also great material efforts.

In this context, the evolution of the local brand, Dacia, reflects well enough a part of the features of the automotive globalisation. Although we mention here the communist period when Dacia 1300 was manufactured, the Romanian-French cooperation may be looked upon as an example of globalisation.

The same thing happened in other regions of the world, generally, in the developing countries, for which the car represented, as it was in Romania, both a symbol of evolution and an insignificant pillar of the economy. Practically, by the technological loan, the big automotive companies made sure that they could expand in the areas where, over a decade or two, would economically evolve up to the phase when they could become markets with potential.

For the major manufacturers of cars and automotive parts manufacturers, the Romanian market seems to promising since more and more choose to move their factories from the Western Europe to the Eastern Europe. The strategy of each great global manufacturer of cars resides in maintaining the cooperation with the major suppliers of automotive sub-assemblies.

Dacia truly became global when, after 4 years after its production was started, it reached the quota of 1 million of pieces manufactured in 5 factories from 5 different countries: Romania, Brazil, Colombia, Russia and India.

The models of cars manufactured for the global market and the use of the common platforms allow the automotive companies to make savings in research and development and to negotiate better prices with the suppliers, as the beneficiary is, theoretically, the final customer. Still, the global cars and the platforms have their limits since there cannot exist a total convergence of the automotive markets, explained Carlos Ghosn, chief of Renault-Nissan Alliance, at the Frankfurt Showroom (17th – 27th September 2015).

One of the terrible effects of the automotive globalization is a change of the “poles of power”: if until two decades ago, USA, Japan and Europe (mainly Germany) were the main major car manufacturers, “the conventional powers” lose ground in relation with other developing countries, especially Brazil, Russia, India, China – countries which, during the last 10 years, they covered 30% of the global automotive market, both in terms of production and sales. This fact influences the modern automotive world even in unexpected ways.

The development and innovation in the automotive field are also supported by the nationalism, the car being a symbol of pride for the developed countries, besides being a useful product.

A great part of the profits realized by the car manufacturers were directly used for research and development, the innovations are more and more nowadays. Everything is done for the client’s benefit, as he enjoys more comfort and more safety.

A great advantage of globalization is closely related to the spectacular evolution of the means of communication. Teams of designers and engineers from all over the world immediately share their ideas and solutions, decreasing thus the time necessary for design and contribute to the settlement of many potential issues even from the phase of design or pre-production. Hence, we assist to a reduction of the cycle of life of a model, as well as to a faster adjustment to the requirements of the markets. Another related advantage for preserving the competitiveness is that now the companies may recruit more easily the talented people.

The idea of “technical platform” evolved – the modularity is now the basic word. For instance, the new MQB platform of Volkswagen group allows the execution of a wider range of models, pertaining to different classes, but also the reduction of the time of production with around 30%, as well as of the costs. Considering the idea that this platform may also be sold to other companies, the plan is to obtain additional revenue from this sale too.

For many of the developing countries, the automotive globalization meant the necessary incentive on the road of economic evolution. The automotive companies which had resources and invested in these countries fully contributed to creating new jobs, both by the plants opened locally, and thanks to the suppliers who, at their turn, appealed to the local manpower. As a direct consequence, the level of living of these countries improved, entailing evolutions on other plans as well (economic, political, social).

In order to be able to reap the benefits of globalization, it is imposed to take the steps of a process of adjustment, as the production factors – as well as the capital of investments – pass from the activities and enterprises which cannot cope with the harsh competition to those which know how to take advantage of it.

Even though the advantages of globalization are obvious, there also exist **negative effects or the disadvantages**, even though some are pretty hard to estimate as intensity.

Among the negative effects of globalization, one may count the following:

fragmentation and weakening of the social cohesion;

increase of the inequalities both on the internal and external plan;

destruction of the classical system of value prioritisation;

proliferation of the weapons and of the transnational crime;

depletion of cultural and national values under the pressure of globalization and expansion of the techniques of information and communication;

use of some complex legal and financial methods in order to reach the limits of local laws and standards to control the balance between work and services of some regions unequally developed and to turn them against themselves.

The main fear of the developed countries is related to the depreciation of the living level, as the automotive companies tend to relocate the production in countries where the level of wages is lower, hence the manufacturers make sure they have smaller costs to bear. The automotive crises caused by the economic crises provided us several tragic examples in Europe, where major manufacturers such as Ford, decided to close important plants, which left thousands of employees of these plants unemployed, but also other thousands of workers from the suppliers' factories which depended of these plants. The controversial decisions by which the automotive corporations ensure their competitiveness lead to issues not only of economic nature, but also of social and political nature. The consequences may be also related to pressures of changing the law in order to control the migration phenomenon of the automotive companies towards areas which are more attractive from the point of view of the costs.

The more and more complex integration and modularisation may create difficulties when it comes to errors undetected in time. The use of some common platforms makes even more serious the act of overlooking some small errors, which propagate to a larger number of cars than normal. It is even worse when the error does not pertain to the designer, but to the supplier which would put into question the integrity of the cars manufactured even by competitive companies. The direct outcome consists in the recall in service in order to repair certain issues which are more or less serious. These recalls, sometimes at a large scale, imply huge expenses for the manufacturer, but also losses at the level of image and confidence granted by customers, with harmful consequences as regards the plans of sales and the position in relation with its competitors.

One of the sensitive points of the automotive globalization refers to the intensive level of growth of pollution in the countries with an accelerated industrial evolution. In China or India, for instance, the explosive growth of automotive sales and production, as well as the great number of plants built in a very short time led to the accentuated environmental degradation, affecting also the neighbouring countries, even the global climate in a certain measure, with consequences that may be hardly anticipated.

In order to get the most out of the real advantages of globalization, the political challenge is to change the possible benefits of the phenomenon in real gains, reducing, at the same time, the social costs. The measures for the improvement of the operation of EU markets and of the performance support in the matter of innovation will contribute to the reduction of the duration implied by the adjustment process, while certain active measures, as well as those funded by the European Globalization Adjustment Fund will support the workers affected. Besides these internal issues, there are also other main external challenges that EU needs to deal with and which need political solutions, such as:

encouraging the global trade and maintaining the position of Europe as main trading block at global level;

managing the immigration as source of manpower, as a response to the phenomenon of population ageing and as an advantage in favour of development

maintain the position of EU as source and destination of the direct foreign investments (FDI);

managing the issue of imbalances existing in the global economy in partnership with other countries.

The globalization continues to be a real fact, with which we have to deal, irrespective of our will or choice. It is considered that the greatest danger implied by the globalization is the dehumanisation of some of those simply swallowed by it.

In conclusion, if the race for the increased income and profits leads to actions that pertain to globalization, in the automotive industry, this phenomenon implies evolution, innovation and progress.

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