

WORLD ECONOMY DEVELOPMENT DIRECTIONS IN THE CONTEXT OF THE PROCESS OF GENERAL ECONOMIC RECOVERY

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Economic development is a quantitative and qualitative concept with a much wider scope than the economic growth. While economic growth is measured by a limited number of indicators, of which the most important is the growth rate of GDP, in this context the economic development implies a dynamic equilibrium in the long run, designing trajectories for a sustainable growth that will be based on optimum use of all available resources, the continued development of innovative potential and human capital, creating and developing strong institutions to foster economic growth and, obviously, but not least, ensure a judicious distribution of income and wealth (the Gini index). The goal of the research is investigating the state of the global economy in the early XXI century, in the post-crisis period, in order to detect development directions and adaptation to new economic conditions. At global level, cheap and clean natural gas is increasingly becoming a competitor of the coal as the main energy source. It can be mentioned that in many countries, the coal is starting to become unpopular to the extent that governments are tightening the laws on environmental protection. The challenges are just as real and complex as the opportunities. Estimation of the global market is one of the tools of research, identifying and implementing thoughtful, well-developed solutions. It is important to define the challenges and opportunities when they arise along the way in order to adjust them properly and move forward.

Keywords: *development, opportunity, possible availability, growth, constraints, strategy.*

Dezvoltarea economică reprezintă un concept cantitativ-calitativ cu o sferă de cuprindere mult mai largă decât cea de creștere economică. În timp ce creșterea economică se măsoară printr-un număr restrâns de indicatori, dintre care cel mai important este ritmul de creștere a PIB-ului, dezvoltarea economică implică asigurarea unui echilibru dinamic pe termen lung, proiectarea unor traiectorii de creștere sustenabilă în baza utilizării optime a tuturor resurselor disponibile, dezvoltării continue a potențialului inovativ și a capitalului uman, creării și dezvoltării unor instituții puternice, care să favorizeze creșterea economică și, nu în ultimul rând, asigurarea unei repartiții judicioase a veniturilor și a avuției (indicele Gini). Scopul cercetării este de a investiga caracterul economiei globale la începutul secolului al XXI-lea, în perioada post-criză, pentru identificarea direcțiilor de dezvoltare și adaptarea la noile condiții economice. La nivel mondial, gazul natural ieftin și pur devine, din ce în ce mai mult, un concurent al cărbunelui ca sursă principală de energie. Putem menționa că, în multe țări, cărbunele a început să provoace antipatie, în măsura în care guvernele au înăsprit legile cu privire la protecția mediului. Provocările sunt la fel de reale și complexe ca și oportunitățile. Estimarea situației pe piața mondială este una dintre instrumentele de cercetare, identificare și punere în aplicare a unor soluții bine gândite, bine puse la punct. Avem tendința de a înfrunta problemele. De aceea este esențială definirea acestor probleme și oportunități astfel, încât să putem ajusta, în mod adecvat, concentrarea eforturilor și energiei noastre pentru a merge mai departe.

Cuvinte-cheie: *dezvoltare, oportunitate, disponibilități, creștere, obstacole, strategie.*

Экономическое развитие это более широкая количественная и качественная концепция чем понятие экономического роста. В то время как экономический рост измеряется ограниченным числом показателей, из которых наиболее важным является темп роста ВВП, экономическое развитие предполагает исследование динамического равновесия в долгосрочной перспективе, проектирование траектории устойчивого роста, на основе оптимального

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использования всех имеющихся ресурсов, дальнейшее развитие инновационного потенциала и человеческого капитала, создание и развитие сильных институтов для стимулирования экономического роста и, очевидно, но не в последнюю очередь, обеспечить продуманное распределение доходов и богатства (инд. Джини). Изучение состояния мировой экономики в начале XXI века, в посткризисный период, в целях выявления развития и адаптации к новым экономическим условиям и направлениям. Дешевый и чистый природный газ все больше становится конкурентом угля в качестве основного источника энергии. В других странах, становятся непопулярными правительства и структуры, которые не используют альтернативные источники энергии, необходимо ужесточить законы об охране окружающей среды. Проблемы, столь же реальны и сложны как возможности. Оценка мирового рынка является одним из следственных инструментов, для выявления и реализации хорошо развитых вдумчивых решений. Мы склонны бросить вызов проблемам. Поэтому важно определить эти проблемы и возможности, чтобы мы могли должным образом настойчиво сосредоточить наши усилия и энергию, чтобы идти дальше.

Ключевые слова: развитие, возможности, способности достижения, рост, препятствия, стратегия.

JEL Classification: F43, F63, O11, O12, Q32.
CZU: 338(100)

Introduction. The history of the most successful modernizations allows noticing two important characteristics, present in almost all of them. Firstly, once again, the impetus for modernization is the understanding by the elites and society of the country's deadlock and the futility of its previous path of development. This may be the result of either a serious external shock (military defeat): examples include Russia post – 1855, France post – 1871, Japan post – World War II; or the political processes leading to the emergence of a new political system, which begins to search for its own identity: as it happens in the United States after 1865, in Germany after 1870, Soviet Russia in the early 1920s or in South Korea after 1950, Malaysia in the 1960s, or in Singapore, which gained independence in 1965; or the change of the political elite following a long period of deepening stagnation: as in China's case in the 1976-1978 years, Spain and Portugal in the early 1980s, in the Soviet Union after 1985, in Brazil in the early 1990s.

As a consequence, in most modernizing countries the historical continuity has been broken; even if the elite tried to find some "footholds" in the past these were rather abstract and quite distant. The recent past was clearly perceived by the public consciousness as something to distance from. Secondly, in the vast majority of successfully modernized countries the modernization took place in conditions when the unity of the elites and the people were strengthening. As a rule, modernization did not immediately lead to higher standards of living, and even if they were, the growth was significantly slower than the growth of the economy as a whole (which is explained by the need for large-scale investments and mainly extensive methods of modernization inherent in its first stages). In these circumstances, the political and economic elites emphasized their unity with the people; still the interests of politicians and businessmen were relatively clearly differentiated: the first sought popularity and fame, the latter – the multiplication of their capital. Ironically, none of the successful modernizers (or Deng Xiaoping and Jiang Zemin in China or Lee Kuan Yew in Singapore or M. Mohammad in Malaysia nor Singh in India or F. Cardoso in Brazil) did not make history as owners of a large personal fortune or as oligarchs, while the majority of those who could not boast any achievements (Mobutu Sese Seko in Zaire, M. Suharto in Indonesia, F. Marcos in the Philippines or Mugabe in Zimbabwe), became some of the richest people on their continent. Successful countries modernized as a whole, while unsuccessful mired in corruption and material inequality.

The goal of the research is investigating the state of the global economy in the early XXI century, in the post-crisis period, in order to detect development directions and adaptation to new economic conditions.

Results and analysis. In the US, cheap and clean natural gas is increasingly becoming a competitor of the coal as the main energy source. In other countries, coal is also starting to become unpopular to the extent that governments are tightening the laws on environmental protection.

China consumes almost half of all energy coal in the world and is in dire need to fight against urban pollution and the threat of global warming. The level of pollution in some parts of Beijing is

265 micrograms per cubic meter, whereas the WHO states the safe norm for humans is 25 micrograms per square meter. The reasons to this are smog emissions of enterprises, coal-fired heating systems, as well as construction dust from the numerous construction projects in Beijing. In some areas of Beijing's visibility on the road is less than 200 meters. Starting with January 1st 2014 the country introduced control over the use of low-quality coal, as well as toughened penalties for companies that pollute the environment. China's main source of energy is coal. Currently, the power consumption obtained by burning coal reaches in China approximately 66% of the total. Coal has become one of the main causes of severe air pollution in the northern parts of the country. In this regard, the government intends by 2020 to a 15% increase in energy consumption from non-fossil sources, and by 2030 – to 20%.

According to the draft plan for the 13th Five-Year Plan (2016-2020), the authorities intend to use wind and sun energy, nuclear power and energy from biomass feedstock more in the next five years. According to the document, steel, energy and chemical industries will be subject to control on the release of hydrocarbons.

The world's largest energy consumer activates the construction of power plants using inorganic fuel. In 2015, it was planned to launch power plants using wind with a total power capacity of 100 GW. The use of solar energy (China is the largest market of photovoltaic equipment in the world) will increase as well. Globally, the growth of renewable energy will significantly outpace the growth of energy consumption as a whole (figure 1).

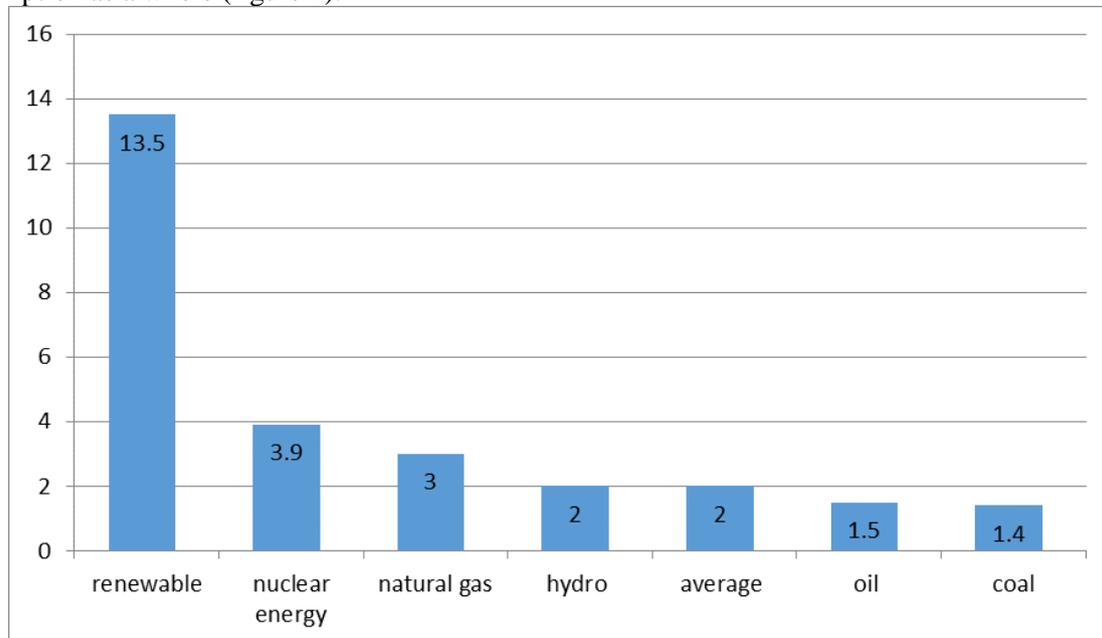


Figure 1. Forecast of growth in energy consumption in the world in 2015-16 by type of sources, % to previous year

Source: *The Economist Intelligence Unit.*

China is speeding up the construction of nuclear power plants as well. Another reason determining Asia status as a key player in this market is the strong support of nuclear energy by South Korea. Japan will start to run nuclear reactors mothballed following Fukushima plant accident in 2011, which will reduce the demand for imported fossil fuels.

Despite the signs of a "green revolution", inorganic fuel is deprived of the comprehensive support needed for a successful global breakthrough. In 2009 attempts to find a replacement for Kyoto Protocol ended up failing. However, the recent agreement between the US and China on carbon emissions into the atmosphere offers hope that other developing countries will start taking more stringent measures to counter global warming.

Financial services: positive signals

The past and current years are defined by the presence of more favorable conditions for financial companies than those which followed the crisis of 2008-2009. The companies began to grow faster and basically found solutions to many of their old problems. For some, the main task is simply a profit recovery; others demanded a complete revision of balance sheet accounts and the sale of certain assets; the

third required a capital increase and state aid.

The main factor is the development of global financial services market: only half of the world's adult population uses the security instruments in regard to their savings, lending and payments from the standard bank accounts. Even a smaller proportion is involved in operations on various types of insurance, securities and pension. For coverage of these share of population is necessary to develop new budgetary instruments, such as bills on mobile phones, etc. The world economy in 2016 will remain volatile and will not become a main factor in the growth of financial companies that rely on macroeconomic demand (as opposed to companies that rely on new complex financial technologies).

Financial companies' possibilities are restricted by heavy financial debt of states and households that do not allow them to assume additional loans. With regard to industrial corporations, in spite of a certain improvement of their position, they remain cautious regarding their capacity expansion due to a limited demand. Perhaps the most important factor for financial firms is the tough post-crisis regulation, which will last for quite a long time. These include obliging the banks to provide information on the ratio of debt to equity and liquidity condition. Additionally, throughout the year is expected the adoption of new regulations on the part of the program of Basel III and the EU Banking Union, as well as US restrictions on proprietary trading, embedded in the Dodd-Frank Act. These measures aim at improving the stability of the financial system during the crisis, but make it less profitable during the periods of economic growth.

Crises on the housing market and sharp changes in the structure of investment flows (as in emerging markets in the 1980s-1990s) remain a permanent threat. There are present risks of renewed deflation in Japan and recession in Europe.

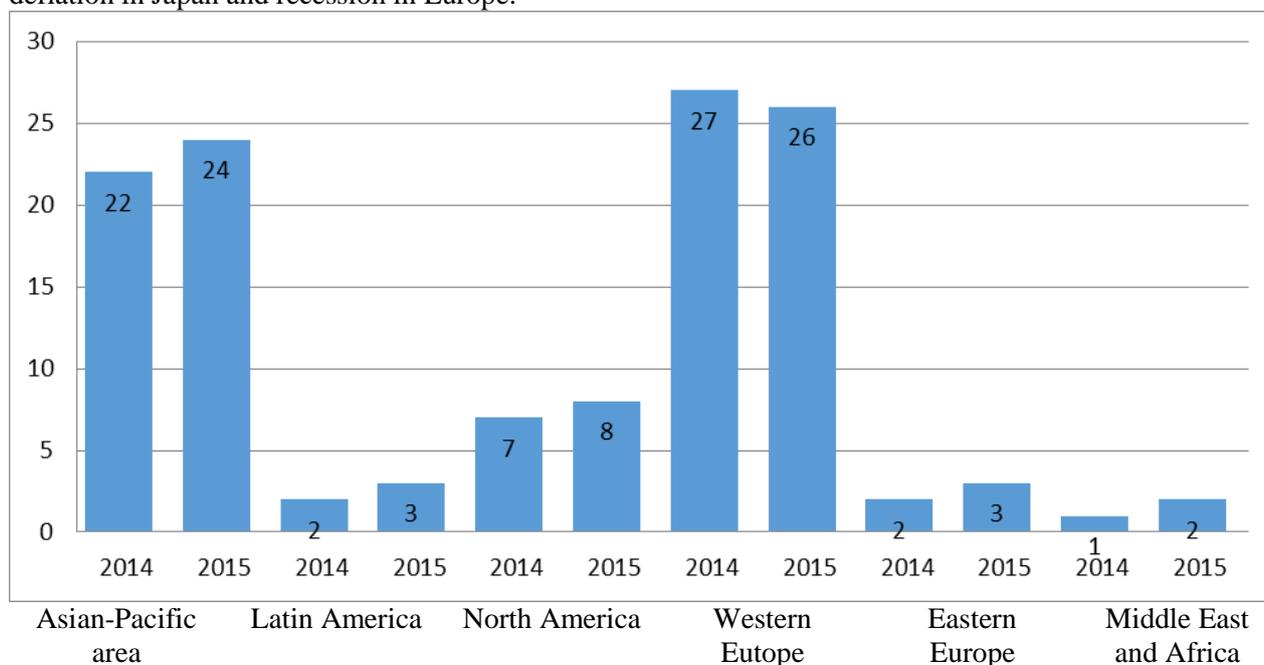


Figure 2. Bank loans by region in 2014 and 2015, billion USD

Source: *The Economist Intelligence Unit*.

In recent years, the reputation of commercial banks and traders deteriorated seriously; to a lesser extent this applies to insurance companies, fund managers and other financial institutions. The level of confidence in the financial sector remains very low. Nevertheless, the major financial players as a whole were able to restore the number of their customers – both among individuals and non-financial corporations. This was due to the active adaptation measures: reducing costly branch network, strengthening the presence of the Internet and mobile applications, improving customer service and security. Competitors from developing countries are actively joining the western financial companies.

Nowadays the Chinese bank's advertising can be seen on the highest building of Buenos Aires in Argentina. Stock markets combine their trading floors and marketplaces in South-East Asia and South America. Malaysian, Brazilian and Colombian companies carry out cross-border mergers to strengthen their positions abroad. In 2015, the process of globalization will continue with a broader set of actors.

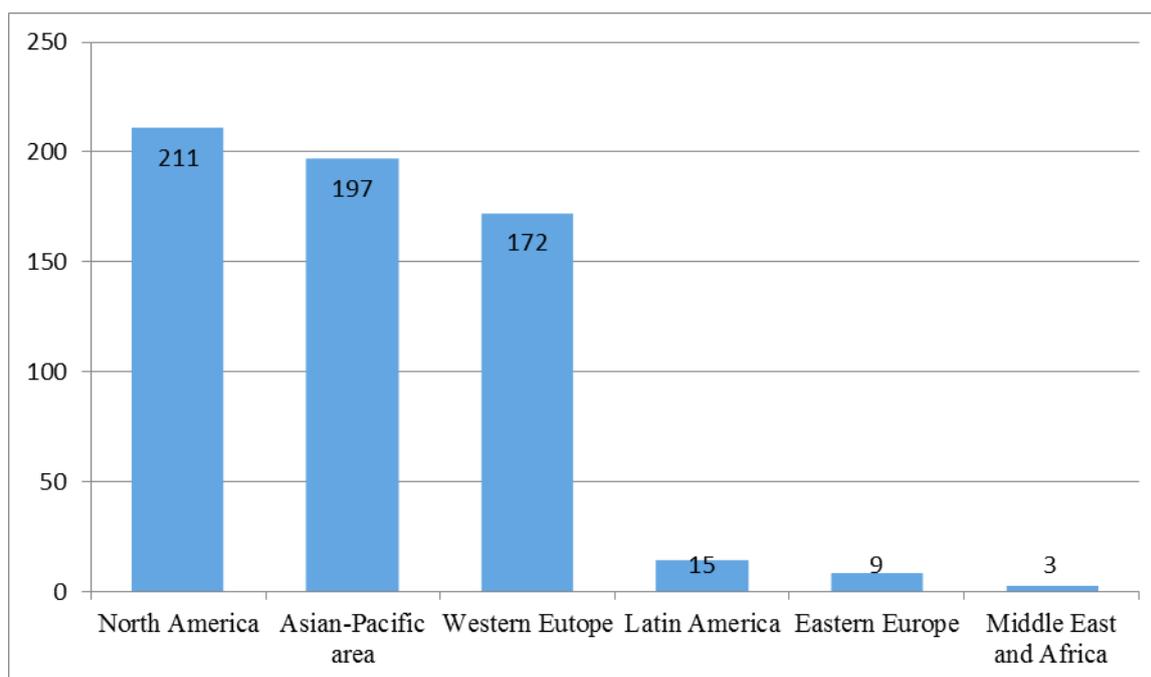


Figure 3. Total financial assets in 2015, trillion USD

Source: *The Economist Intelligence Unit.*

Healthcare and Pharmaceuticals: the Asian expansion

Companies of this sector have become much more optimistic over the past year. Among the main reasons for it should be noted the recovery of health spending levels in Western Europe are the development of health insurance systems in Asia and profitability increase of the pharmaceutical companies.

An important factor became the Affordable Care Act (Obamacare) in the United States – the largest health care reform of the last decade. Health insurance market has spread over millions of people in the country. Under this law, companies with a number of employees exceeding 50 people were obliged to provide their employees with medical insurance; for smaller companies the term has been extended until 2016.

Obama proved to be profitable for many companies. In 2014, shares of insurance companies such as Humana, United Health, Aetna and Cigna sky rocketed. They firmly oppose attempts by Republicans to roll down the reform. Several commercial medical networks, as HCA, also recorded growth in profits and revenue due to expansion of their customer base. The same phenomena were applied to pharmaceutical companies. According to experts, the total health expenditure in the US will grow by 5% in 2015, while sales of the pharmaceutical companies – by 6%.

A number of other regions will register even a more pronounced growth (figure 4).

Several Asian countries, including China, India, Indonesia and the Philippines, are actively building up a system of universal health insurance. Even poorer countries, such as Bangladesh and the Middle East countries, follow this trend. In Latin America, public health insurance system is a norm, and a number of countries (like Brazil) are increasingly focused on improving the quality of health care. In Western Europe, the focus is on improving the efficiency of the health system, which has become very expensive. But even here the economic recovery (albeit unstable) allows increasing the number of health care costs.

In connection with the termination in 2015 of a number of patent protections of drugs companies such as Novartis, Otsuka, and others it is expected an increase competition from companies that manufacture generics. Even the newest biotech drugs are becoming more vulnerable to copying. Apparently, generic analogues of the biotech drugs will experience a wide spread in 2015. Under these conditions, the pharmaceutical companies try to implement deep restructuring aiming at reducing costs and increasing investments in research and development. It is expected the production of new drugs by such companies as Sanofi, Merck & Co., Johnson & Johnson. Favorable signs for pharmaceutical companies in Asia were noted. In India, where the government has long been interested in the greater availability of drugs than in the protection of innovation, in 2014 has loosened control over drug prices. In China, the same thing can happen in regard to drugs outside the system of state subsidies.

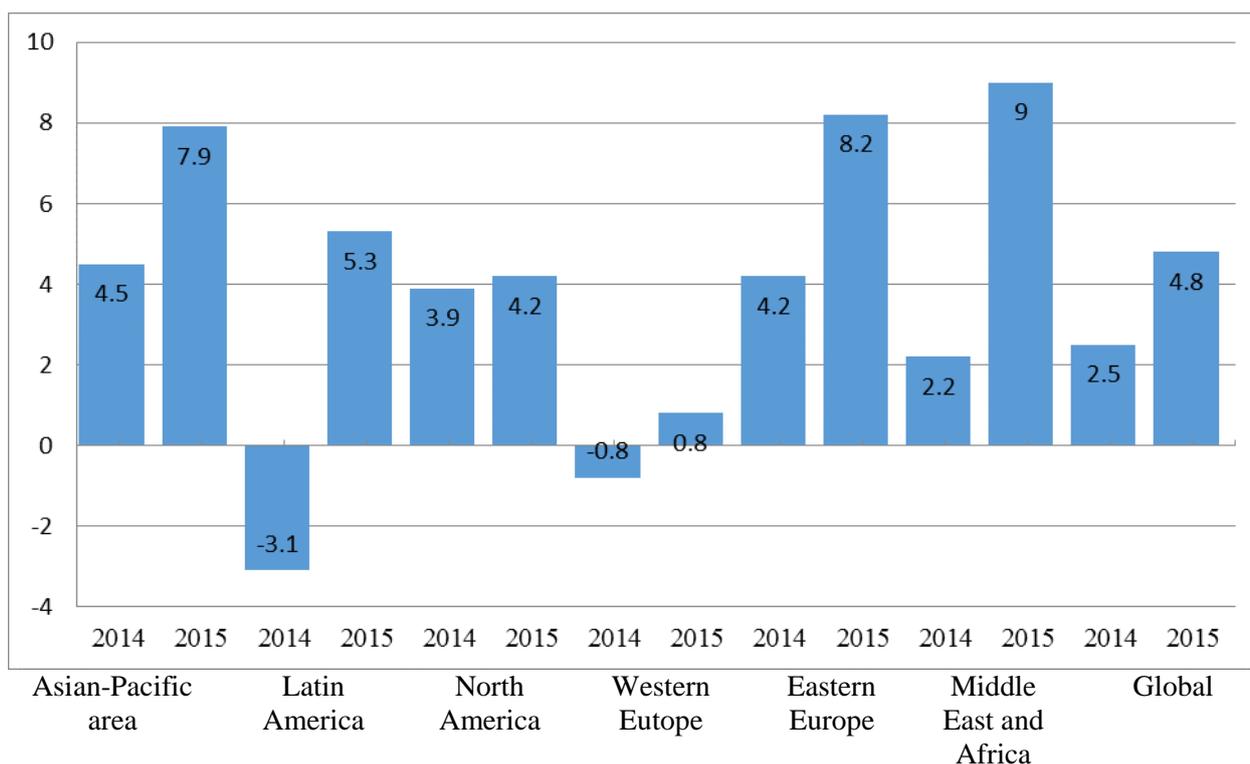


Figure 4. Growth of expenditures on health care per 1 inhabitant in 2014 and 2015 (forecast) by regions, % compared to previous year

Source: *The Economist Intelligence Unit; World Health Organization.*

The policy change of the two Asian giants in regard to patent protection was caused by the expanding opportunities in the drugs market. India has already become the biggest exporter of generic drugs, but the tightening of safety regulations in the US could threaten its potential revenues. China also considers the pharmaceutical industry as a source of economic growth and is interested in the elimination of international trade barriers. In general, global competition in this sector may increase significantly, on the backdrop of increased costs for health development.

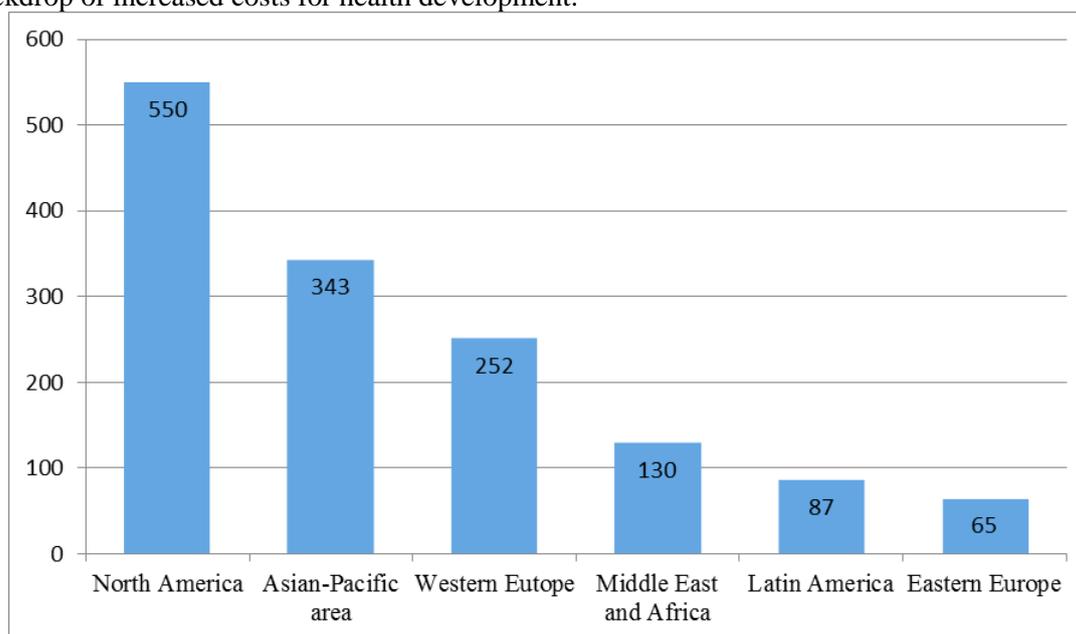


Figure 5. Expenditures of pharmaceutical industry by region in 2015, trillion USD

Source: *The Economist Intelligence Unit.*

Telecommunications: Problems of Interaction. The telecommunications sector is in a state of rapid structural change. The rapidly growing use of the Internet, connectivity and interoperability are incorporated into a growing number of mobile devices. Consumer demands for speed and quality of access to information, video and audio are becoming more stringent. As a result, mobile operators, government and Internet service providers are compelled to direct an increasing amount of investment to improve the aging infrastructure.

Adding to that, mobile operators have to find funds to pay for participation in auctions for frequencies (especially costly developing countries such as India and Thailand), which leads to the growth of credit debt. A partial solution to the problems are the linking together of television, broadband, fixed-line and mobile services. An example is the British Telecom – British fixed-line provider, which announced its intention to acquire the O₂ mobile operator in November 2014, after which BT shares soared up [BT in talks with Telefónica ...]. Another strategy of mobile operators is to convince the state to reduce license fees and tariffs for the used frequencies. These problems can be felt by the customers when excessive credit debt will force mobile operators to raise prices for their services. Experts predict that in 2015, the Internet users around the world will consist half of the world population. However, the majority will still get online by conventional methods using a broadband connection via PCs at home or at work. At the same time, in many countries smartphones are becoming increasingly popular, as means of communication are increasingly improving, covering all social groups.

New features were well demonstrated by the last device of the Apple company – the iPhone 6. As the number of applications increases, smartphones can replace credit cards and cash flows. In 2014 in the US has been launched the new Apple payment system, which allows users to make payments via iPhones and Apple Watch, and it is expected to reach Europe in 2015. One of the most pressing and controversial issues remains ensuring "net neutrality" – the principle of equal regulation of all types of information. Most operators are interested in the model when content providers pay extra for the provision of faster communication channels and get an advantage. Consumers, in turn, fear that such a model would lead to higher prices for Internet services and limit access to users with low incomes and those living in remote areas. Especially heated discussions take place in the United States, where in 2014 President Barack Obama appealed to the Federal Telecommunications Commission with a request to reclassify the Internet as a public utilities sector. This will entail the regulation of this sector by the type of water and energy sectors. In 2016 such discussions, will likely occur in other countries as well. Indian Association of mobile operators (COAI) intends to discuss with the Government regarding the monetization of services on the basis of revenue sharing between Internet companies and mobile operators. In the EU, the current agenda includes the strict rules of network neutrality, prepared by the European Parliament, which now requires the approval of the Council of Ministers. So far, only Slovenia and the Netherlands have implemented similar rules, and there are serious concerns that other European countries will slow down this process. In Latin America, similar rules were adopted only by Brazil and Chile. Among other notable events of 2014 it should be noted the rapid rise of the Chinese company Xiaomi, which is often called the "Chinese Apple". In the third quarter of 2014 its growth rate reached a three-digit value, turning the company into the world's third largest producer of smartphones. This was the result of the fact that the company has won over a significant share in the domestic Chinese market from the Samsung Corporation. At the same time, maintaining the progress achieved depends on the conquering of foreign markets. Xiaomi plans to start the production of its smartphones in India and several other developing countries.

The fourth generation 4G mobile communication has become a battle arena of the operators of mobile telephony. In the near future the same will happen with 5G. By September 2015 a "test area" will be completed and commissioned in the UK, including companies such as BT, EE, Huawei, Samsung, Vodafone and others. A number of other projects (which are commonly led by universities) were initiated by the EU, China, Japan, South Korea and the United States.

Conclusions. More than two decades of independence have passed as the need for modernization and development emerged, and now it becomes quite evident that no serious changes occurred in the country. The objectives of modernization and its main focus are not yet defined. Niches that Republic of Moldova could fill on the world markets are not yet determined (it is quite naive to assume that the country can start developing rapidly only by restoring the wine industry). The emphasis on technological breakthrough seems unconvincing, as no country has yet reached the standards of post-industrial society, not having mastered firstly the competitive industry on a large scale, which alone can be the "customer"

and the consumer of new advanced technologies.

The development of the industrial base is not included in the priorities of local politicians precisely because the ideology of state paternalism assumed by them suggests that people should "receive" various benefits from the state, which has the right to redistribute them, and not to create or produce them with their own efforts. At the time, the great reformer and head of Singapore Lee Kuan Yew stressed that authoritarian modernization program is very tempting, but always vulnerable because such modernization requires an ambitious and responsible leadership.

The main problem of modern Moldova is precisely the absence of such leadership. The tasks that are set before the country today are the maximal simulation of changes in the conditions of preservation of the notorious stability, with which a real modernization was, is and will remain incompatible. As long as the task itself will not change, until a sober assessment of the state of the domestic economy will be made, and until a program of purely economic reforms and the gradual implementation of political and social change will not be elaborated, until the representatives of the elite, whose interests are inseparably connected with the raw material orientation of the economy will not be removed from the levers of political power no changes are to occur.

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