

IS THE WORLD UNDERGOING A PERMANENT CRISIS?

Viorel MIONEL*, Oana MIONEL**

Abstract: The present article is a shy attempt to analyze crises that have affected the world recently. Obviously, there are many crises on the Globe. In the same time, the typology of the crises is quite varied: international crises, regional crises, continental crises, national crises, economic crises, financial crises, environment crises, social crises, political crises, geopolitical crises and so on. The world crisis that is presently affecting the globe makes one witness the establishment of a new economic order. In this new order, the great powers such as the USA, will maintain their considerable influence, and the new economies such as China will become more and more important. Therefore, we will present some of this crisis, from which we will submit the analysis only three because of their geopolitical impact was more than obvious: gas crisis, the crisis in Gaza Strip and the crisis in Georgia.

Key words: crisis, gas crisis, geopolitics, globalization, great powers, Gaza Strip

I. Introduction

We encounter the word „crisis” almost daily, or more accurately, at least for or five times a day: the economic crisis, the financial crisis, the gas crisis, the Gaza Strip crisis, the crisis provoked by the climatic warming, etc. One can easily conclude that, as well as the birth and death rates whose presence is felt every minute in the world, the *crisis*, too, no matter its nature, announces its presence every day of the year and especially in every corner of the Globe.

A series of persons may contradict us, by saying that things are not as bad as to suggest the occurrence of a type of crisis every day. It is true that if we refer to each individual's personal life, this thing is no longer valid. But since we live in a global world, therefore affected by globalization, we can come across this word a few times in a single day, as I have previously mentioned.

In order to try to explain the global context, one should answer several questions. First, how strong are the global links? Second, what is the connection between crisis and globalization? By means of the written press, the internet, and worldwide news TV channels one can easily find out what is going on around the world. Thus, one can provide several arguments in order to support the previous statements. Here is a piece of news about the (prophetic!) word *crisis* (we mention that in this particular case the crisis affects both sides in question): the Chinese manufacturers decorate toys with paints that contain lead, and children worldwide must give up the *Batman* and *Barbie* dolls. Another press piece of news says the following: *“Russia finds it more and more difficult to finance its dream of glory. The decrease of oil price significantly reduces the billions of dollars expected. The difference between the Russia of 140\$ per barrel of oil, and the Russia of 60\$ is the difference between a power that makes the*

* Academy of Economic Studies, Bucharest, e-mail: viorel.mionel@rei.ase.ro

** "Dimitrie Cantemir" Christian University, Bucharest, e-mail: panaoana2005@yahoo.com

rules of the game and a strong state aware of its dependency on its customers, in the same way in which they depend on their supplier.¹

This is how only a few fragments of press articles illustrate how the crisis and the phenomenon of globalization are intertwined in the international sphere. Why are the connections between the two elements strong in the cases discussed? Well, if the Chinese products, especially the Batman and Barbie toys are withdrawn from the market, children from all over the world will be denied the possibility to enjoy these toys. The Chinese manufacturer no longer makes profit from selling these products. The sale market becomes very limited. Hence, we are dealing on the one hand with a crisis that directly affects both the Chinese producer and the children. On the other hand, the crisis is linked with the commercial relations between the producer (whose factory is in China) and the consumers (a series of states across the globe), as a result of economic globalization. In the same time, the second fragment from the written press foregrounds Russia as a main agent. The most important supplier of natural gas for many European states is affected by the decrease of oil price. This decrease directly affects “the dream of glory”, as Ovidiu Nahoi states in the article “The Crisis’ First Winners”. This is how the recently famous word *crisis* affects us directly or indirectly by means of *globalization* or global relations between states and non-states on the world wide geo-political and geo-economic stage.

The world crisis that is presently affecting the globe makes one witness the establishment of a new economic order. In this new order, the great powers such as the USA, will maintain their considerable influence, and the new economies such as China will become more and more important. For example, a study of the United Nations reveals an important tendency: in merely 10 years, China’s urban population will exceed the country’s total population by 50%². This fact illustrates the force with which countries from BRIC (Brazil, Russia, India and China), but not only these, are gaining more and more ground in the hierarchies of world economy, by having an enhanced development of the urban environment. Almost every time, a state’s economic development has been reflected by what it is called “the city of skyscrapers”. The American economic development has included the sector of vertically developed buildings in the field of constructions, illustrating the power of the respective state. For example, in the Middle East, the boom generated by oil exploitation and massive oil exports, was accompanied by skyscraper type of buildings. The city of Shanghai (with the highest density of skyscrapers in China) also illustrates the force of the communist China, manifested from the beginning of the 90’s.

But crises have a lot of negative elements. I have started this paragraph with this statement, because it is a known fact that in Chinese culture, the word *crisis* has two meanings; on the one hand crisis indicates a state of difficulty (economic, political, social, etc.), a period of tension, of torment, a critical moment or a point of culmination in the evolution of a situation. On the other hand, the word carries the meaning of chance and opportunity. With respect to the first meaning of crisis, that will be extrapolated to the present crisis and the main topic of this article, Henry Kissinger stated: “*Periodical financial crises were not interpreted as alarm signals for what was likely to happen to industrialized nations, but as aberrations of an evolving world, that were to be solved by means*

¹ Ovidiu Nahoi, *The Crisis’ First Winners*, Foreign Policy Romania, November – December, 2008, pag. 47.

² Lakshmi Mittal, *The New World Economic Order*, “Lumea în 2009”, December 2008, pag. 12.

of severe interior measures, policy that developed states were not ready to apply in their own cases³". The same person, further developing his analysis of the "American arrogance" added that "*The absence of limits encouraged all sorts of more and more sophisticated speculations, accompanied by an increasing lack of transparency. There followed a period of unparalleled economic boom, but also the illusion that an economic system can sustain itself indefinitely by means of credit. In fact, a country can live like this, with its purse wide-open, as long as the rest of the world continues to trust its economic decisions. This period has come to an end*⁴". Reiterating the idea from the beginning on the paragraph, this context denotes that at present the economic crisis of humanity is almost entirely characterized by negative effects, assigning it a rather fatalistic meaning.

In the same time, the world devastated by the *economic crisis* – considered extremely intense by most of the economic experts in 2009- is also confronted with other types of crises. These crises can easily be entitled *geopolitical crises*. The question is: why geopolitical crises? Because they (in most of the cases), are not generated by economic reasons, but rather by politic/geopolitical reasons.

II. The effect of geopolitical crises on international affairs

The end of the Cold War did not implicitly generate an appeasement in Europe. A peculiar characteristic of the continent nowadays is the variety of the frozen conflicts within it. From the Balkans to Cyprus and eastwards, in the former USSR, a series of minor conflicts have ended not by peace agreements, but by the "freezing" of the parties on the positions held at the ceasing of hostilities⁵.

The gas crisis which affected Europe at the beginning of this year is a typical example of *geopolitical crisis*. Everything started when Russia ceased the delivery of natural gas through the oil pipes that transit Ukraine. The reason of this ceasing – initiated on January 1st, 2009- was the fact that Ukraine did not pay its gas delivery debt to Russia. In the same time, after January 1st 2009, Ukraine had to pay 418\$ on a thousand m³, compared to only 175.9\$ per a thousand m³, the price paid by Kiev in 2008.

Ukraine replied without delay stating that it had paid a great part (!) of its debt to Gazprom. This "great part" of the debt was approximately 1.552 billion dollars, out of a total of over two billion dollars demanded by Gazprom.

From January, 2nd, Russia launched extremely serious accusations to Ukraine. It stated that the latter started stealing from the pipes that transported gas to Europe. Consequently, the crisis was significantly enhanced. The culmination was reached when the gas crisis extended over the EU states, which made this melting pot explode. Many EU states, but not only, significantly depend on the gas import from Russia. As a matter of fact, almost 40% of the EU gas import is done from Russia. At a state level, the dependence on Russia in point of natural gas delivery is much more drastic: Finland, Poland, The Republic of Moldavia, and the Baltic States import 100% of their internal necessities, Slovakia -98% and Austria and Bulgaria also depend almost entirely on the imports from this "unique gas supplier" for Europe. In the case of Romania, dependence on Russian gas is around 30%. Due to this fact, Romania

³ Henry Kissinger, *The End of Arrogance*, Lumea in 2009", December 2008, pag. 20.

⁴ Henry Kissinger, *op. cit.*, pag. 20.

⁵ John Peet, *Frozen Conflicts*, „Lumea in 2009", December 2008, pag. 19.

was less affected by this geopolitical crisis that also had a subsidiary economic component.

After approximately three weeks, the two “*main*” states involved in the dispute reached an agreement. This stipulated a price of 360\$ for a thousand m³ that Ukraine had to pay for the gas from Russia. But before the agreement, there had been several diplomatic “clashes” between Kiev and Moscow. The transit of the gas delivered by Russia to importers also includes the so called “technical gas”, that ensures the best parameters of the pressure of the delivered gas. Russia turned on the “gas tap” to Ukraine, in order to further deliver them to European consumers. However, the Kiev officials did not allow the continuation of the transit on the basis of technical gas payment which should have been honored by the latter. This last conflict lasted only a few days and subsequently things went back to normal.

One can state that the conflicts and the *crisis* between Russia and Ukraine rely on much older roots and causes. Following the implosion of USSR, the relationships between Russia and Ukraine have been rather tensed. The conflict sharpened during the orange revolution in Ukraine. This was when Kiev shifted its attention to the West, hoping to become a genuinely democratic country. On the other hand, Russia realized it was gradually losing influence in this part of Europe. The problem of Crimea is likely to have occurred as a consequence of this weakening of influence. Crimea was offered as a present to Ukraine by Hruscirov or according to Soljenitn “*Crimeea was attributed to Ukraine... completely nonsensically*”⁶. Therefore, it seems that the tensions and the crises between the two “sister” states have not ended and one cannot infer when they will. Still, the question that finally arises is whether the crisis between Russia and Ukraine is a long-lasting one. We will leave our readers provide a possible answer to this question.

We will continue our analysis of the crisis examining another example of a contemporary geopolitical crisis: the situation in **The Gaza Strip**. The Gaza Strip is a territory of only 360 km², it has a length of 45 km and a population of approximately 1.4 million persons (mostly Arabs). At the end of the previous year this area was the site of a conflict between Israel and Hamas (Arabic group from Gaza).

The Israeli intervention in The Gaza Strip occurred in the context of a *power void* in the international system. One can ask what exactly this power void refers to. The end of 2008 and the beginning of 2009 were marked on the one hand by the USA presidential elections and the power transfer at the White House and on the other hand by the Czech Republic’s take over of the EU presidency. Therefore, the void in the American power generated by the election of America’s first African American president, Barak Hussein Obama II, encouraged the Israeli armed force intervention in The Gaza Strip. With respect to the new American president, he has started his mission with a series of problems inherited from the former president George W. Bush Jr.. His greatest challenge was the Israeli-Arab crisis carried by Barak Obama along his first presidency mandate.

In the same time, the transfer of the EU presidency from France to the Czech Republic amplified the void in the international geopolitical security, fact extremely well speculated by Israel. The former French presidency, well

⁶ Alexandr Soljenitiņin, *The Gulag Archipelago*, Univers, Bucharest, 2008, page 41.

coordinated by the “charming” Nicolas Sarkozy was extremely active and fruitful. It got involved in solving the conflicts in Georgia in August 2008. As a matter of fact, it was also the French Presidency of the EU that approached a series of problems such as the (economic!) financial crisis, and the climatic warming. In this context, the Czech’ euro-skeptical EU presidency generated a promising frame for the outbreak of the Gaza crisis. One must also specify that it was the French president - although no longer a president of the EU, who got himself involved in the Gaza crisis. Thus, he made a series of official diplomatic visits to the Near and Middle East in order to assuage conflicts and end the crisis.

If one focuses on the crisis between the Israelis and the Arabs, one identifies a series of “endemic” causes that perpetuated this crisis. The roots of the crisis are extremely old. But the aggravation of the tensions generated bloody conflicts, resulting in significant losses of human lives in the 20th century and in the beginning of the 21st century. The Balfour declaration from November 1917 was the first step that amplified the crisis between the two parties. It later generated the United Nation plan of dividing Palestine in 1947.

The year of 1948 signaled the birth of the state of Israel and the outbreak of the first Israeli-Arab war. There had been other bloody conflicts between the two “states” or “countries”. One can mention *The Suez Crisis (1956)*, *The Six Day War (1967)*, *The “Jom Kippur” War* and the first oil crisis in 1973 that affected the whole world, etc. Along time international organizations such as The United Nations and the great powers have unsuccessfully tried to solve the *Israeli-Arabic crisis*. So how can one solve the Near East Crisis so as to avoid its infinite unfolding and to prevent it from generating other world crises such as the one from 1973? Which is the best approach and manner to deal with the Israeli-Arabic crisis? Shall we trust the historical right or the international law? Who must involve directly- the international organizations, the great powers or must one find a diplomatic, watchful, pragmatic and pacifist way in order to appeal to the goodwill of both peoples in crisis? And last but not least, how does one define this crisis so that one can know how to act? Is it an identity crisis? Is it ideological, or is it a conflict of egos?

Is this a *perpetual crisis*?

Here are a lot of questions that one must ask and answer so as not to deal with the issue of permanent crises, no matter their nature. But one must especially find an answer in order to solve this extremely complicated case.

Another important case for the present topic is the **crisis in Georgia** from the summer of 2008. As well as many other states from the former USSR, the Georgian state was created after the 1991 USSR implosion. The relations between the USSR’s successor, (Russia) and most of the former communist republics from the soviet bloc were characterized by diplomatic tensions. Georgia made no exception from this rule. One may say that Georgia is a “model” of this kind of relations.

In this category, one may include the Baltic Countries that have even created an anti-Russian bloc. In the same time, Poland, Romania and Ukraine have frail diplomatic relations with Russia, as well. But Georgia illustrates a peculiar case, because it includes several separatist regions, populated mostly by Russians or Russia supporters who revolve around Moscow. One can easily comprehend why these separatist provinces such as Abkhazia and Southern Osetia want territorial autonomy and implicitly independence. This may subsequently offer them the opportunity to attach themselves to “Mother Russia”.

As well as in Ukraine, in Georgia there also was a colored revolution in November 2003. This is also known as the “Roses Revolution”. Hence, Russia has “endured” two colored revolutions in the former soviet space. Its endurance was relied on its having lost the sphere of influence from this space in favor of a Western democratization and modernization. Occidental values lay stress on democracy, free trade exchange and human rights. All these elements are monitored by international laws imposed by predominantly Western organizations. Therefore how was Russia to endure all these things without taking any measures to end the pro-Western trend?

We think that the culmination was Georgia’s desire to join the NATO expressed at the Bucharest Summit in the spring of 2008. Along with Georgia, Ukraine also expressed the same desire at the Bucharest Summit. We have previously seen what has happened in Ukraine’s case with respect to the gas crisis. Russia only needed to be affected by a minor mistake made by Georgia. This would have allowed it to show that “Mother Russia” had not completely lost her power in the international geopolitical sphere.

On this tensed background- that we will call a diplomatic *crisis* – between Russia and Georgia, there appeared frictions in the summer of 2008. It is likely that given the *credo* of its close relationship with the USA, Georgia initiated action in Southern Ossetia to stabilize the region.

Still, some sources from the press relate that the Georgian officials had been preparing for a long time for an intervention in Ossetia. The Russian party did not remain passive either and brought troops in the proximity of the tensed areas. In order to manage the conflict between the two separatist provinces, the Tbilisi officials initiated a large offensive against the rebels. This was an attempt to counteract the attacks of the Ossetian rebels over some villages under the control of the Georgian troops. But when the attack was initiated, the Tbilisi officials forgot about the declaration made by Putin when he still was president of Russia. The declaration stated the following: “*I will become the protector of all Russians wherever they are in this world*”⁷, and there are plenty of Russians in Southern Ossetia and Abkhazia!

Having more or less reviewed the causes and events that generated important conflicts between Georgia and Russia in 2008, one can wonder: does this case entail a geopolitical crisis as well? We think that the answer is certainly yes. This case is a crisis, too. Russia cannot possibly be satisfied by its loss of influence in Caucasus, which is by the way, a very important area concerning the transit of Caspian energy to Europe.

The examples of crises are endless. The world *geopolitical crisis*, cleverly referred to as “the great chess board” by Zbigniew Brzezinski in the work with the same title undergoes permanent transformations. The chess is a game of the mind where which move must be well thought, or otherwise one runs the risk of entering a *crisis*. One can also run out of time when the game is governed by time auspices. It is also time that measures the duration of the crises. If one does not take concrete and responsible measures, one runs the risk of not making the difference between time itself and the duration of the crises. In this case one reaches *the perpetual crisis*. Nevertheless, history has proven that one cannot have a certain type of crisis that lasts over time. Still, the same history reveals that the total crises from all over the world, from various world corners generate a unity at world level over time.

⁷ The quotation is not reproduced exactly.

III. The contemporary world economic crisis

The present article is a shy attempt to analyze crises that have affected the world recently. Obviously, there are many crises on the Globe. In the same time, the typology of the crises is quite varied: international crises, regional crises, continental crises, national crises, economic crises, financial crises, environment crises, social crises, political crises, geopolitical crises and so on. One must specify that the previous typological list is not based on well established criteria or on the main cause of the crisis. In the beginning of this article I have discussed only a few present crises. I have analyzed only three examples considering their important geopolitical impact. In the *introduction* I have also referred to the present **financial/economic crisis**. In order to highlight the impact of the economic crisis on the international life, I will briefly present its evolution and dynamic character. The “engine” of the present economic crisis is the United States of America.

The present financial crisis that engulfed the geo-economy of the entire world has American origins: the worldly acknowledged geopolitical importance of the USA (the unique position of the USA in the international hierarchy is largely acknowledged at present. Even Russians, although nostalgically reluctant to acknowledge the amplitude of the American power and influence, eventually accepted that the United States was to be the most important actor on the world scene for a while⁸), the crisis of the commercial and investment banks (the market of mortgage credits with a high degree of risk – the subprime crisis) and the dollar exchange rate crisis.

The USA financial crisis could not be quarantined and therefore it had infected numerous countries worldwide. Involving a weakened trade and a credit crisis, as well as the collapse of real estate markets overheated by volatile stock markets, the contagious disease has been spreading⁹.

At present we are in the middle of the most serious financial crisis that can only be compared to the great financial crisis from 1929-1933. A general impression of the USA present crisis indicates that it has a lot in common with other crises manifested until now. But there is one element that clearly sets it apart: it signifies the end of an era of credit extension, with the dollar as the reference currency¹⁰.

The USA government wanted as many people as possible to be able to buy a house. This fact made the FED decrease the interest rate for refinancing commercial banks to 1% per year, from the 90's. In their turn, these banks offered credits to population with an interest rate of 2-4% per year. This generated an excessive “development of the real estate sector”.

From 2000 to 2005 there burst a frenzy of housing supported by the fact their market value increased over 50%. This amazing increase stimulated speculations on housing values and the loan values as follows: when housing value is expected to be higher than the loan value, this creates the tendency to purchase as many estates as possible (in 2005 more than 40% of the purchased estates were holiday or investment residences¹¹).

⁸ Zbigniew Brzezinski, *The Great Dilemma – Dominating or Ruling*, Scripta Publishing House , Bucharest, 2005, pag.1.

⁹ Nouriel Roubini, *The Future Financial Pandemics*, Foreign Policy Romania, No. 3 April/May 2008.

¹⁰ George Soros, *The New Paradigm of the Financial Markets*, Litera International Publishing House, Bucharest, 2008, pag 7.

¹¹ Idem, pag. 13.

When the government “wished” everyone to have a house, the idea underlying this desire seemed simple and clear at that moment. Thus, the idea involved the use of *mortgage credits with adjustable rate mortgages (ARM¹²)* under market average in the first two years. This was supposed to be followed by loan refinancing and the acquisition of new commissions for creditors. The ideal crediting mechanism collapsed when very many persons with high crediting risks became able to receive a mortgage credit¹³.

In 2005, the inflation danger that threatened the USA made the FED increase the rate to 5% per year. This fact generated an increase of the interest rate by commercial banks up to 6-8% per year. These high interest rates, doubled or even tripled, created the people’s impossibility to pay their installments to the banks¹⁴. Thus, millions of people were unable to cope with the new interest rates established by the FED, and the banks suddenly became the possessors of an amazing number of houses that were auctioned. This fact provoked a major disturbance in the inter-bank relations. The major cause of the imbalance in the international inter-bank relations was that the USA commercial banks refinanced themselves by selling real estate high risk contracts(the contracts were based on the population’s limited payment ability) to other investment banks worldwide (UBS-Switzerland, Deutsche Bank - Germany).

What was the other countries’ hope about this crisis? The answer is a simple one. They wanted to avoid the contagion effect manifested in the 90’s crises. But that scenario apparently repeats itself. And this is how almost the entire world economy seems to “get sick” and share the fate of the American one. The contagion or domino effect seems to work effectively. The USA economic crisis started in 2007. At that time the European and other continental economies seemed to function very well. Now, after almost a year and a half the international mass-media signal significant lay-offs in very many states and especially on different continents. Especially in contemporary history, mankind has been confronted with many economic crises with different global impacts. Nowadays national economies are more and more dependent. The decrease of production of a highly demanded product in a certain country affects the economies in need of that particular product. This is how dysfunctions arise in the international economic system, eventually producing imbalances in the whole system. The theory of systems shows that if a single component of the system does not function, then the entire system is practically affected (i.e. it enters a crisis). This is how the wave of the American crisis (the world’s most important economy) propagated itself to the entire global economy.

BIBLIOGRAPHY

- BRZEZINSKI Z., (2005), *Marea Dilemă: a domina sau a conduce*, Scripta Publishing House, Bucharest
 BRZEZINSKI, Z., (2000), *Marea tablă de șah*, Univers Enciclopedic Publishing House, Bucharest

¹² Adjustable rate mortgage (ARM).

¹³ The ninja loans were very famous; their main characteristic was a decreased interest rate in the first 2-3 years, which was consequently modified depending on LIBOR.

¹⁴ Radu Mihalcea, *Major Problems of Contemporary World*, New York Magazine, No. 584, 20 August 2008.

- CHAUDET, D., PARMENTIER F., PÉLOPIDAS, B., (2008) *Imperiul in oglindă: strategii de mare putere în Statele Unite și în Rusia*, Cartier istoric Publishing House, Chișinău
- COOPER, R., (2007), *Destramarea națiunilor*, Univers Enciclopedic Publishing House, Bucharest
- KISSINGER, H., (2008), *Sfârșitul aroganței*, in „Lumea în 2009”, December
- KORTEN, D., (1995), *Corporațiile conduc lumea*, Samizdat Publishing House, Bucharest
- MIHALCEA, R., (2008), *Major Problems of Contemporary World*, in New York Magazine, No. 584, 20 August 2008.
- MITTAL, L., (2008), *Noua ordine economică*, in „Lumea în 2009”, December
- NAHOI, O., (2008), *Primii câștigători ai crizei*, in „Foreign Policy Romania”, November – December
- NEGUȚ, S., (2008), *Geopolitica: universul puterii*, Meteor Press Publishing House, Bucharest
- PEET, J., (2008), *Conflicte înghețate*, in „Lumea în 2009”, December
- ROUBINI, N., (2008), *The Future Financial Pandemics*, in Foreign Policy Romania, No. 3 April/May 2008
- SOLJENIȚIN, A., (2008), *Arhipelagul gulag*, Univers Publishing House, Bucharest
- SOROS, G., (2008), *Noua paradigmă a piețelor financiare*, Litera International Publishing House, Bucharest