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Atypical Integration Process under the Global Crisis

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Abstract: The paper is focused on the idea of a new approach on the integration process under the present global crisis. This is why the analyse tries to present „new" integration organisations which are made in order to face the new socio-economic challenges. The whole theoretical approach is based on the latest important specific researches in the world. A distinct part of the paper deals with a case study connected to BRIC. The main conclusion of the paper is not optimistic. The world economy is not able to face the crisis and the solutions have to be found at individual level. Moreover the world economy is close to a more destructive war: the economic war for survive.

Keywords: sectoral integration; regional integration; globalization; regional integration forecast

JEL Classification: R11; R12; R13.

1. Introduction

We cannot deny that humanity is on the verge of significant changes, unprecedented in its history. From the economic point of view, things are far from being put in a normal path. If in the second half of the twentieth century, humanity has been protected from large-scale military conflict, the first decade of the new millennium marked the onset of a devastating global war: the war for economic survival.

All states participate to the fierce battle in which any actions are allowed. The myth of the global economy, the global solutions and the adage "think globally, act locally" depend on fiction, nowadays.

The crisis generalised in 2008 was the breakpoint which demonstrated that globalisation was a world wrong approach. The idea of globalisation is based on one of the most important characteristic of the human being: the need to stay together in order to protect and to develop better. During the last two centuries, globalisation was used by a minority in order to lead the majority at global level.

Globalisation supported interesting concepts as "race to the bottom", which became a key element for the global disparities' increase.

The same globalisation succeeded in creating a theoretical battle between regionalism and globalisation. Globalisation needs instruments in order to generate, develop or destroy specific economic mechanisms. We are not able to imagine the existence of IMF, World Bank, WTO without conflicts, economic, social and political crisis. These international institutions were able to eliminate one of the basic elements of the economics: the impossibility to make experiences on people using the economic instruments! There are enough viable integration projects which are implemented under other criteria than geographical proximity and common interests. These projects cover the sectoral integration.

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2. Current Status of the Research Investigating

Under its economic approach, globalisation was used for the first time by Levitt Theodore in 1983. Nowadays, the global approach is the only one able to solve the great difficulties of the humanity: pollution, global warming, drastic reduction of the resources, terrorism, etc.

Some specialists studied the effect of the US trade deficit increase on the American companies, in order to identify the new challenges for the American economy after its adhering to NAFTA. Moreover, there are a lot of studies which support the idea that the US economy is not efficient under globalisation. Other opinion is that globalisation represents a global process of mixing and equalization for prices, goods, wages, interest rates and profits. The evolution of the globalisation was followed by an increase number of the international corporations which operate across the world economy.

Under this above approach, Bhagwati J. considers that the globalisation represents the integration of the national economies into an international economy with characteristic flows of: trade, FDI, short-term capital, people, labour and technology. Other papers challenge globalisation and talk about the negative effects of the regional blocks on labour (Bhagwati, 2004).

Stiglitz made a detailed scan of the process and the contemporary global economy perspectives (Stiglitz., 2006). The present global crisis is subject for Krugman's latest book. It analyses the economic crisis in Asia and Latin America and concludes that these crisis represent a warning for all. As diseases become resistant to antibiotics, the economic maladies that caused the Great Depression made their appearance again. Krugman shows how the failure to keep up, by regulation, the financial system increasingly out of control, pushed the United States and the world in its worst financial crisis since the 1930s. Moreover, he describes the measures required to limit the scale of the crisis and to restore the world economy afloat sliding into a deep recession Krugman, 2009).

The Romanian specialists have an important contribution to this research field. D. Daianu talks about the dynamic of the open market economy system. The book analyses the inner movement of the capitalism, the competition between paradigms, the rise and the fall of the "market fundamentalism", the role of the moral (ethical) in the economic life, the left (as a doctrine and political action) in post-communism, the relationship between globalization and the dynamics of capitalism, some aspects of the post-communist development in Romania and, last but not least, the roots and significance of the current financial (economic) crisis (Daianu, 2009). Bran&Ioan analyse the impact of the globalisation on the environment under the sustainable development approach, as a way of economic growth according with the environment protection (Bran & Ioan, 2009).

2011 was the year when Ritzer published his new approach about globalisation. The book covers 12 chapters, including „Negative global flows and processes", "Inequality" and the "Future of globalisation" (Ritzer, 2011).

3. Atypical Regional Integration Evolution

There are three major sectoral economic projects which are not supported by the geographic proximity. The first is Organisation of Petroleum Exporting Countries (OPEC) which was initiated in 1960, under a real international partnership. Its main goal is to protect the main interests of the members related to the oil. OPEC revived, after it was about to be liquidated. Nowadays, OPEC represents a cartel made by 12 countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE and Venezuela (see Figure 1).

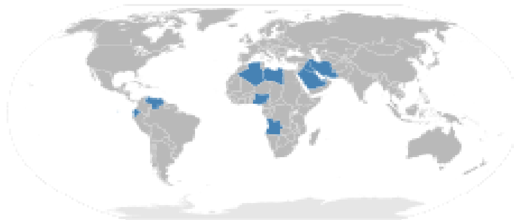

Figure 1 OPEC member states

The present global crisis reiterated one of the essential goals of this organisation: protection of the individual and group interests of the cartel members. This implies: the prices establishment on the international oil market, insurance an adequate oil supply, correct exploitation quotes and an adequate profit to those which invest in the oil industry. OPEC's influence on market became essential in order to establish oil prices and production quotas. As a result, the critics against OPEC grew after the oil crisis from 1973 (Hammes & Wills, 2005).

The OPEC's influence on the oil market decreased after the discovery and early operations of major oil deposits in Alaska, North Sea, Canada, Gulf of Mexico and Russia. Nowadays, OPEC covers 2/3 of the world oil reserve and 33% of the world oil production. The second largest group of producers (OECD and former Soviet countries) covers only 23.8 of the world reserve and 14.8% of the world production (Owen, Inderwildi & King, 2010).

The oil market is dominated by dollar. The dollar exchange rate fluctuation is able to change OPEC's production decisions. A decrease of the dollar exchange rate implies a decrease in the OPEC revenues from sales. As a result, Iraq replaced dollar with Euro for its oil payment until the military invasion, when started to use the dollar again for the payments. Venezuela and Iran agreed the Euro for their oil sales payments, as well.

The second atypical integrationist project is the Organisation of Arab Petroleum Exporting Countries (OAPEC), which was founded by Kuwait, Libya and Saudi Arabia, in 1968. Algeria, Abu Dhabi, Bahrain, Dubai and Qatar became members of OAPEC in 1970, and Egypt, Iraq and Syria in 1972.

OAPEC was temporarily liquidated in June 1971. Dubai left the organisation in the same year. The main goals of the OAPEC are: member states' cooperation in various forms of the economic activity… development of close links between them… establish ways and means to protect the legitimate interests of its members…. unify efforts to ensure the oil flow to the consumption market under fair and reasonable terms…. creating a favourable climate for capital and expertise invested in the oil industry in member countries. In the late '60s, OAPEC forced OPEC to use oil as an arm against Israel occupation of Arab areas. On the other hand, OAPEC has undertaken several projects with countries inside and outside the organization (Kelly, 1980).

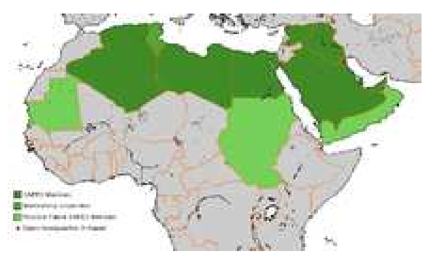

Figure 2 OAPEC member states

Nowadays, OAPEC represents an international specialised organisation which supports the cooperation between oil producers and the implementation of common projects connected to the regional integration.

An interesting example is another atypical organisation: BRIC.[1] Brazil, Russia, India and China formed BRIC, an organisation which was defined in Ekaterinenburg, in June 2009. These four countries represent emergent economies which cover 15% of the world GDP. According to the Goldman Sachs' experts, BRIC will be able to obtain a greater GDP than G7 in the next 20 years. This result is supported by the present global crisis. While the Western countries recorded economic decline, the four BRIC countries continued the economic growth. The political impact of this new organisation can be significant if the four countries conclude that together can seek alternative ways to current developments on the developed country markets.

Moreover, the four countries want to reform IMF, in order to increase their influence inside the world organisation. Brazil and India have a vote share less than Netherlands, for example. BRIC wants to change this "power balance" and announced that it is interested in buying bonds from IMF. BRIC wants to diversify the national reserve of currencies and to decrease the influence of the USD.

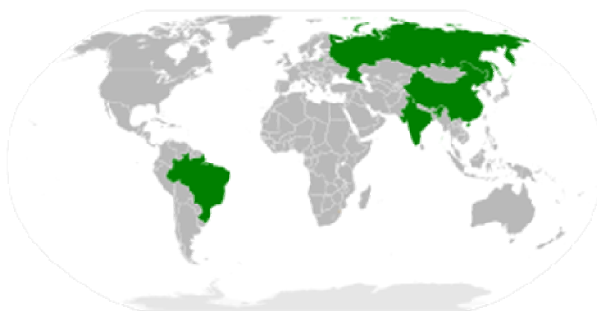

Figure 3 BRIC member states

But the four economies have different development degrees which create difficulties in the organisational management. China is the greatest world supplier, Russia and Brazil are great rare materials exporters and India offers the cheapest technology services. So, these four countries are able to influence the world economy if they work together.

On the other hand, BRIC can generate an internal economic conflict. China and India are interested in decreasing the prices for rare materials, but Russia and Brazil wants the opposite evolution. This is why Konstantin Kosaciov, the Foreign Relations Committee Chairman of the State Duma in Moscow, consider that Shanghai Cooperation is more important for Russia than BRIC. Shanghai Cooperation covers the countries from the Central Asia, Russia and China. This organisation is focused on security problems.

All these developments describe a world of selective cooperation, where the main actors will be less traditional alliances, but increasingly more short term coalitions, flexible built around a strategic point of interest. Overall, the international relations show the coexistence between order and disorder, society and anarchy. The system stability is determined by the major powers ability to reach a consensus on the rules of the game and to require them to those states which reject them.

Most experts believe that the main strategic challenge of the Euro-Atlantic community over the next 25 years will be to integrate the emerging powers in a system of rules and regulations set by Europe and USA. The stakes are sucking them into a structure of order built around the Euro-Atlantic standards. In case of failure, these large emerging countries could become revisionist powers.

The main advantage of the West related to the BRIC is the capitalist system itself. On the other hand, the emerging powers' prosperity is a product of the markets. BRIC prosperity depends practically to the integration into the global economy.

BRIC countries benefit from capitalism and have a fundamental interest in preserving their welfare system. As a result, they will not be tempted to destroy the status quo without risking their own

[1] Brazil, Russia, India and China - BRIC

economic suicide. Moreover, these countries are interested to be within the system and not outside. The strategic philosophy of the West related to BRIC is simple and is focused on BRIC integration into the "great capitalist peace". The only condition is that BRIC to accept the Euro-Atlantic standards.

Another direction of the atypical integration is that connected to countries from different continents. In 1989, was implemented Asia-Pacific Economic Cooperation (APEC) by the ASEAN countries, Australia, Canada, Japan, New Zeeland, South Korea and USA. China, Hong Kong and Taiwan adhered in 1991. According to agreement signed in Bogor (Indonesia) in 1994, APEC has to become a free trade and investment area able to support the less developed members to achieve sustainable economic growth.

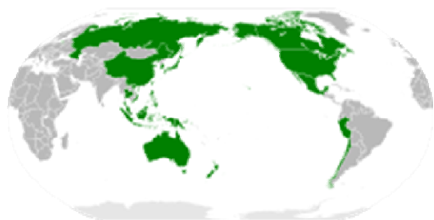

Figure 4 APEC member states

In 1995, at Osaka, APEC proposed an interesting solution: every member state had to declare its own unilateral measures to liberalize trade and investment. The agriculture was excluded from this procedure. APEC aims to increase the living and education standards under a sustainable development. It covers 40% of the world population, 54% from the world GDP and 44% from the world trade.

Nowadays, APEC is focused on three essential areas: trade and investment liberalisation, providing incentives for business and economic and technical cooperation (Wilson & Taylor, 2008). In 1993, APEC leaders created a Centres of Studies Network, which connected the universities and research institutes from the member states, as the following: Royal Melbourne Institute of Technology, University of California, Berkeley, Kobe University or Hong Kong University. APEC believes that it is the first forum that facilitates economic growth, cooperation, trade and investment in Asia-Pacific region, aiming at economic growth and prosperity for the region and Asia-Pacific community.

Organisation for Economic Co-operation and Development (OECD) is an international economic organisation which covers 32 national economies. It was initiated in 1948 by: Austria, Belgium, Denmark, France, Greece, Island, Ireland, Italy, Luxembourg, Netherland, Norway, Portugal, Sweden, Switzerland, Turkey and UK. In 1961, Germany, Spain, Canada, USA, Japan, Finland, Australia, New Zeeland, Mexico, Czech Republic, Hungary, Poland, South Korea, Slovakia, Chile and Slovenia adhered to the organisation. The latest member states are Estonia and Israel (in May 2010)

Nowadays, the OECD advocates for democracy and market economy, finding solution to the common problems, promoting best practices and coordinating the internal and external policies of the Member States. OECD promotes policies for achieving the highest level of sustainable economic growth and labour and a high standard of living, while maintaining the financial stability and supporting the global economic development. The organisation supports the member states' economic expansion and the world trade development without discrimination, according to the assumed international obligations.

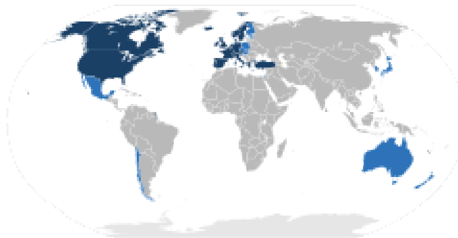

Figure 5 OECD member states

On the other hand, OECD was criticized by civil society groups and developing countries. The main reason for this criticism is the selective nature of admission states in the organization, with priority given to rich countries (Jorma J., 2003).

4. Case Study

The latest global crisis is different because it covered whole the economic world. It was the first time when all national economies had to fight against the crisis challenges. On the other hand, the same crisis represents a great opportunity for those economies which are able to adapt faster to the new economic conditions. The most powerful global economic actors stagger under the blows of the crisis, unable to find the saving solutions. The crisis is exported from one country to another, from one continent to another. The regional integration organizations, which were successful models some time ago, puffy looking for the sustainable growth. The political decisions taken inside these organizations face the national governments' opposition.

An interesting approach is that to realise a comparative analysis between the most important world economic actors related to their possibilities to face the crisis. The evolution of the GDP is able to support the conclusion that the crisis was different effects on different economies (see Figure 7).

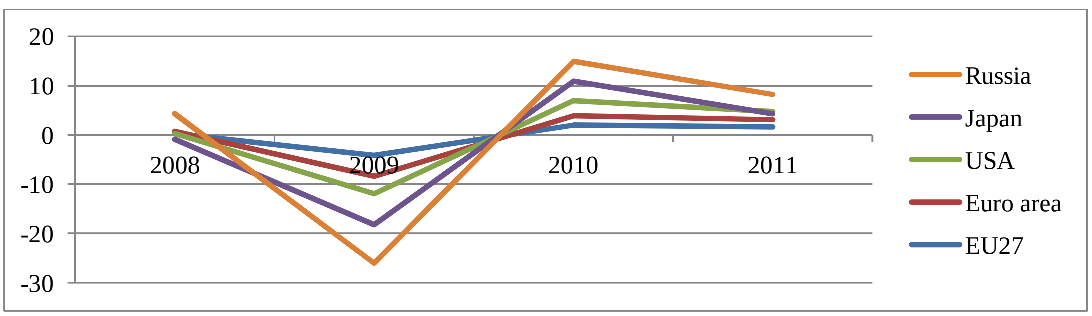

Figure 7 Economic growths under global crisis (%)

The common characteristic of the above economic actors is that they faced to recession in 2009. China achieved positive growth rate in 2009 but it was lower than in 2008. The crisis export from USA affected Japanese economy first (2008). The other economic powers had positive growth rates in 2008. Practically, the recession was passed in 2010 by these countries. 2011 brought positive lower growth rates for five from these six countries. Japan had negative growth rate in 2011 as a result of the natural disaster. Only three countries were able to fully recover the economic growth during 2010-2011: USA, China and Russia. The economic recovery in Japan, EU27 and Euro area was not enough to achieve the pre-crisis growth rates (European Commission, 2011).

On the other hand, it is interesting to analyse the evolution of the BRIC members during the present crisis. These countries succeeded in achieving high growth rates, which supported their faster economic development (see Figure 8).

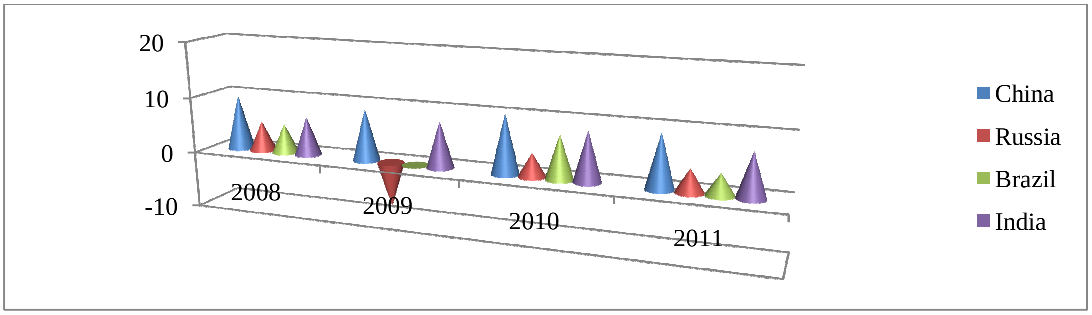

Figure 8 Economic growths in BRIC

Moreover, BRIC covers countries with important rare materials resources and high industrial production capacities, which are able to influence not only the world prices of the rare materials, but the industrial goods' prices as well. An intermediate conclusion is that the greatest emergent economies had a comparative advantage during the global crisis. Even that their economic growth rates decreased in 2011, these countries represents the world economic development engines, nowadays.

5. Conclusions

The economic chaos allows hardly the realization of the macroeconomic forecasts. Practically, the medium and long term forecasts disappeared. All we can afford, in terms of these economic developments, are short-term forecasts. Organizations specialized in statistics and forecasts make forecasts which are changed constantly. The EU27 official body itself, Eurostat, makes two forecasts each year (spring and autumn) on a horizon of only two years. The correction of these forecasts is avoided in the economic chaos that we go through. On the other hand, the present global crisis brought the idea that the global solutions are not good for every national economy. This is why the greatest regional economic organisations are not able to find the ideal solution for all their members.

Great difficulties in managing the crisis impact have EU27, Euro area, NAFTA, ASEAN or BRIC, nowadays. And the global market becomes a battle field. Those countries which will be able to cover a greatest part of this battle field will survive in this economic war. It is a new war, in which the combatants are not divided using the political system, dimension or traditional economic connections.

The international financial institutes can develop the crisis impact using dedicated economic forecasts. The latest World Bank's forecast uses some ideas, as: "developing countries need to prepare for the worst" or "global economy facing renewed uncertainties" (World Bank, 2012).

These statements have the power to lead the global economic evolution to a specific direction. Nowadays, the main economic actors are EU and emerging Asia. This is why the official forecasts are very important in order to attract potential FDI in those regions which are more "sustainable". The problem is that Eurostat (the official statistic bureau of EU27) and the World Bank have some interesting disparities in their forecasts related to 2012-2013. The economic trend in the Euro area, for example, has a more optimistic approach from Eurostat than the World Bank (see Figure 9).

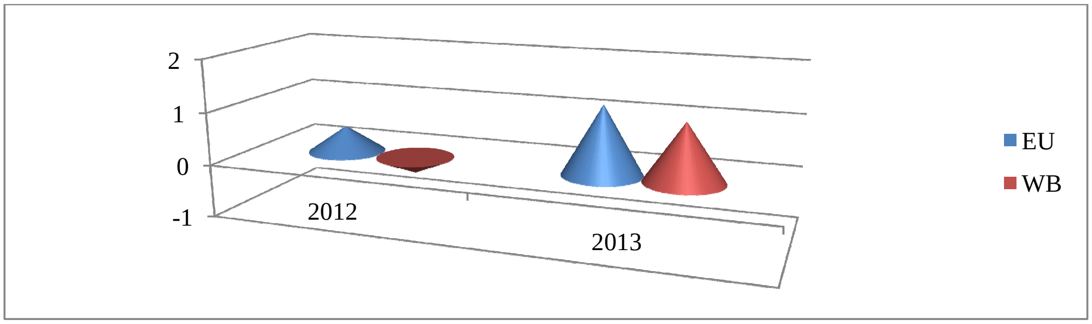

Figure 9 Euro area forecast (%)

The World Bank's forecast (WB) talks about recession in 2012 (-0.3%) and a lower recovery (1.1%) in 2013 across the Euro area. Eurostat forecasted a positive trend during 2012-2013 with higher annual growth rates (0.5% and 1.3%). A strategic investor, who trusts in World Bank forecast, will invest outside Euro area in 2012. It will invest in the Euro area only if it believes in Eurostat's forecast.

The lowest disparities between the forecasts for 2012-2013 are those connected to Chinese economy (see Figure 10).

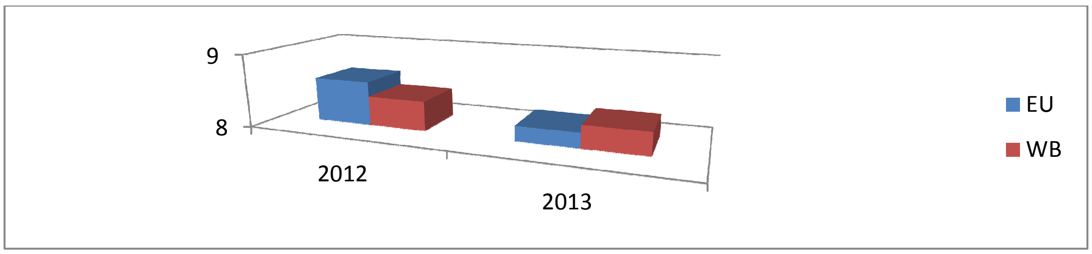

Figure 10 Chinese economy forecast (%)

Some disparities are connected to the Russian economy forecast, as well. The difference is that the World Bank's forecast is more pessimistic, now (see Figure 11).

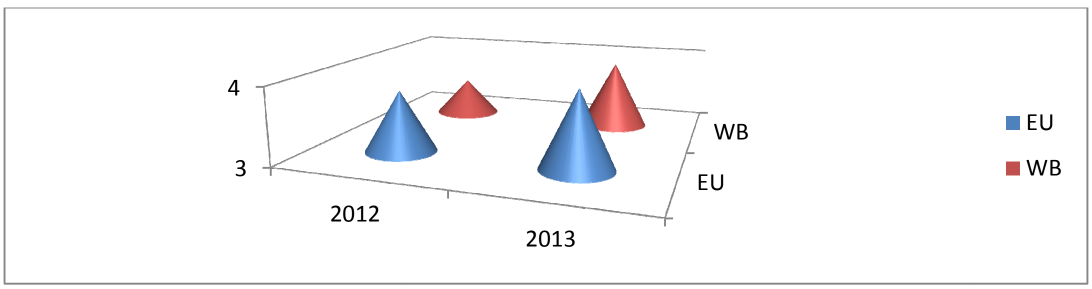

Figure 11 Russian economy forecast (%)

This must be the moment when the evolution in time can change everything! Let's suppose that the war in Iran will start. Or, which will be the above economic evolutions if Russia will stop the gas exports? Moreover, which will be the economic effects if China will enter in recession? The effects will be devastating. Or more, which will be the confidence deficit if Greece will leave the Euro area? Which will be the impact on EU27?

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