

FINANCIAL CRISIS: TOWARDS A NEW POWERSHIFT

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Summary. The Authors reviews financial crisis and its impact on the process of building new power shift geometry in the world. Is analyzing consequences for the future international economic relations especially for Europe, Poland and Ukraine.

Key words: *financial crisis, European integration, security, development, globalization.*

I remember my first impression after reading Alvin Toffler's «Power Shift».[1] I thought that it is something between the analysis of present time and forecast what could be in the future with our world. Europe has been behind all those questions. The Wall in Berlin just has been fallen down and Germany reunification came into reality. Together with that process of reunification silent enlargement of European integration has been done. Never in history of our integration we had such a case outside many bureaucratic procedures, and first of all out of political decisions and negotiations. Just it was done and that's all. Completely surrealistic utopian idea was realised. The years after such decision, former Chancellor of the Federal Republic of Germany, Helmut Kohl said, in one of his interviews in Bavarian Television, that really it is realisation of an utopian concept. Nobody, he said, could imagine, that the change of borders in Europe will be possible without strong opposition. Bearing in mind controversions within European integration of 12 nations that time it sounds fantastic indeed.

Paralelly to that change the old paradigm of global power bi-polarisation was completely destroyed by the political revolution within the Soviet Union. The Soviet State just exploded and new independent states came into international community. It was new challenge for all on a global scale. Almost all of those new independent countries had no reasonable economic growth, and what more it was necessary to start with a transition from centrally planned economies to market economies. The case unprecedented in a world's history. Nobody has been prepared to such a challenge from theoretical point of view. We had no new methodology and in a short time it was evident, that many mistakes were made. Simple implementation of mar-

ket economy rules into transition economies made a lot of troubles and severe load to present economic and financial situation of many Eastern European countries. That's not all, the future enlargement of newly established (by the Treaty of Maastricht) European Union was political decision for economic purpose, because new associate states were, and still are, very large market. Almost all privatisation concept has been subordinated to transition and future full accession into the European Communities. Weakness and lack of domestic capital did not allow for building strong economic position. However significant European financial support has been done and is given till today evidently.

For instance in the Structural Funds programming period 2007-2013, Poland should receive €67 billion (over 19% of entire Structural Funds resources). But under very sharp conditions. Indeed, at the end of 2005, European Regional Development Fund absorption rates stood at 18,5% of total resources for 2004-2006. Only two other Member States had even lower absorption rates [2]. European Union financial assistance for Poland has increased significantly from Pre-Accession funding of €1.1 billion in 2003 and 2004, to €12,8 billion for the Structural Funds period 2004-2006. This funding increase represents an important challenge, in terms of establishing the necessary legal, organisational and human resources framework in order to allow for the effective use of support [3]. It is only one example how public financial assistance is pumped via the European Union's budget to less developed Member States of European integration. The question only is to what extent we can this official aid to spread on the other countries who may wish to achieve full Membership of the Union? The answer is still very hard to clarify.

Bearing in mind all efforts of European integration to be more effective, more competitive and more wealthy we can say that behind all those goals are still interests. Without seeing this we will make great mistake analysing economic targets of Lisbon Strategy (unfortunately it collapsed) and newly adopted strategy Europe 2020. The most significant weakness of both strategies is a lack of an alternative. In my opinion it was purposeful action of the European Commission supported by the most powerful Member-States of the EU. The European Union is not a society for charity, but group of states going towards its own security in a large sense of that word. The last events related to so called financial crisis shown us how close are all international activities with such a strategy of all main actors of the world's political stage. Some 30 years ago security system has been strongly concerned with strategic weapons systems and national interests, first of all of superpowers. For instance only one of those opinions: «National interests are commonly cited by governments and politicians as a fundamental basis for their actions, and for this reason they must be regarded as an important factor in determining the domestic and foreign policy of states» [4]. It is quite obvious, that each country wishes to be permanently secure. Security is, in that meaning, one of the most important goals of domestic and foreign policy strategy.

Adopted in December 2003, European Security Strategy, reflected the situation of that time. But time is running very fast. Sometimes too fast bearing in mind the years of human being life. A lot of things changed dramatically and the World has been faced with new challenges on a global scale. Such a bad experience has not been expected. Alan Greenspan in his book «The Age of Turbulence» wrote an extraordinary Preface [5]. The impressions on the day of 11th September 2001. Dramatic situation, collapses of the conviction of territorial security of biggest power of the world, The United States of America. Not only America has been in shock, but everywhere the fear came to politicians and people. New feelings on global scale.

In the summer of 2007, millions of homeowners in the United States discovered that the terms on their mortgage loans had worsened at the same time that the market values of their homes were declining. The squeeze quickly led to a sharp rise in foreclosures, and many families lost their homes. Within weeks, the turmoil spread to other advanced economies with complex financial systems, where businesses and individuals found that loans were harder to obtain and were unexpectedly expensive.

Suddenly, the solvency of major banks and other financial institutions was being questioned [6]. What is surprising about this episode is that most people seem to have thought, that advanced financial systems were sophisticated enough to absorb risks and to spread them widely enough to prevent a sudden drying up of liquidity. Bank runs happened in the 1930s. They were not supposed to happen in the 21st century [7].

Feeling of people security was destroyed by this episode, but it was not an end of the story. Once the problem began it spread around the world. It is very good example of the benefits and the risks of financial globalization. Of course first of many people will trust, that the financial globalization gives the more benefits than the risks. Such a conviction laid down to establishing global financial network. It is true, that global pools of money ensure to establish small businesses everywhere, but it is true as well, that at the same time the weaknesses come from the lack of enough awareness of what globalization means.

The financial crisis is very good moment to discuss the problem of global governance and global responsibility. It is not a new concept. During universal history it has been a lot of ideals of global governance. Each civilization would like to be a global leader. Only the reasons and fundamentals are different, but a sense is common. For instance, very well known Japanese philosopher and writer Daisaku Ikeda, in one of his essays «Thoughts on peace» wrote as follows: «The world today, in the same manner as Japan in the past, is divided up into the various nations of America, the Soviet Union, China, etc. But I believe, that as a matter of historical necessity, the time will come when a world federation that transcends national boundaries will come into being» [8]. **And following up his deliberations** Daisaku Ikeda assumes the necessity of providing world nationalism and the third power, «one which will be capable of interposing peacefully in the present world of struggle and confrontation and putting an end to its rivalries. I personally would like to believe that Japan is the country destined to fulfill such a role» [9]. **Temptation for dominant position** is great. It implicates a lot of contradictions and at the moment it is only one of concepts presented by philosophers. However, not only because we have take into account contemporary ideals to provide global governance.

What are possible scenarios after nowadays financial crisis, however, not solved till today and different in various areas of the Globe?

I assume that such scenarios will be first of all used as:

1. political instruments for national security of great powers;
2. economic solution for business corporations;
3. proposals for escalation of confederation system within group of countries;
4. arguments for more global governance through reforms of international organizations.

As political instrument for national security it is always concerned with sovereignty of a state. Today each state would like to be not only sovereign but safe as well. Political argument is because people would like to be govern by the politicians who provide to the country peaceful and wealthy policy. State interests are identified not only with groups but with individuals as well. The old paradigm from 19th century that most important value is own sovereignty is not a real truth. Just because always and everywhere we had to recognize rights at least of our neighbours. But security is a real challenge for the world because we have permanent conflicts and sometimes there is no possibility to solve them as an individual. The discussion is of course of vital importance for the European Union and for other main actors on a global stage. It means first of all, that we have to learn how to perceive international environment of European integration.? This environment is not a coherent essence, but varied and on different level of development. The international system around European integration is ruled by its extremely different dynamic, and that's why it is a real challenge and sometimes threat as well. Simply the international system is changing permanently and interactions thanks globalization are deeper than ever before. In effect it is possible, that conflicts are not only closer to us, but very unexpected. It is true, that we as Europeans living within the European Union have no comprehensive, interlinked and first of all with a holistic approach security strategy. The world is more powerfull, than we see it only via statistic figures and facts. Multilateralism is a signum temporis of contemporary world.

Financial crisis shown us how interacted is global life. We don't know to what extent we are depended of each other?

During this time of financial turbulences comeback of state aid and intervention is on a large scale observed. This remarkable activity is especially concerned with Sovereign Wealth Funds (SWFs). British Prime Minister Gordon Brown in his interview said, that: «The growth of Sovereign Wealth Funds (SWFs)

is one of the most notable characteristics of the current wave of globalisation. The UK government welcomes the positive role that SWFs such as those in the UAE and Qatar have in the efficient allocation of capital and the benefit that they bring to the global economy by taking a long term view of their investment decision» [10]. Such financial support to bank sector has been observed since many months in 2007. For instance the Qatar Investment Authority and royal family from Abu Zabi saved Barclays Bank in the UK investing into it 8 billion USD. Other banks as well received a lot of money from SWFs as Citigroup, Swiss UBS, Morgan Stanley or Merrill Lynch.

Another discussion is dealing with a new global currency. Before G20 Summit (April 2009 in London) Russia's new currency proposal was spearheaded by President Dimitry Medvedev's chief economic adviser and G20 sherpa Arkady Dvorkovich. It was proposed to use the International Monetary Fund's Special Drawing Rights (SDRs) as a new global reserve currency.[11] This proposal was not shared by the central bank of Russia. First Deputy Chairman of the central bank Alexei Ulyukayev said: «Russia favoured the European Union's approach to handling the global crisis over the one practiced in the United States and called for a more counter-cyclical regulation in the future» [12].

According to Bloomberg, China's foreign-exchange reserves, the world's biggest, had their smallest gain in eight years as exports slumped and the slowing economy deterred investment from abroad. Foreign-currency holdings rose about \$7.7 billion in the first quarter to \$1.9537 trillion, as the People's Bank of China has announced[13]. Chinese officials have been worried about the safety of the nation's holdings investing in the USA. That country has been the biggest investment destination for the reserves, and that's why the Chinese Premier Wen Jiabao called on the US «to guarantee the safety of China's assets»[14].

Following that discussion Leaders of the BRICS countries on the meeting in Sanya, Hainan, China released (14th April 2011) joint document known as Sanya Declaration. This document is very important for today's discussion on financial crisis and the role of BRICS in the world of so many uncertainties. The new vision of the role of that group of countries is something rather new as I have mentioned above Europe did not developed its own.

Point 8 of Sanya Declaration is extremely important as it stated as follows:

«We express our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and

threats. In this respect, we reaffirm the need for a comprehensive reform of the UN, including the Security Council, with a view to making it more effective, efficient and representative, so that it can deal with today's global challenges more successfully. China and Russia reiterate the importance they attach to the status of India, Brazil and South Africa in international affairs, and understand and support their aspiration to play a greater role in the UN».

It is quite obvious, that such a statement implicates further actions within global diplomacy of China and Russia. Last developments especially in Europe between those countries and Germany or France have endorsed it. The Sanya Declaration introduced new principle of the foreign trade clearing. It establishes that in common BRICS's foreign trade national currencies should be the base of clearing. It means: no foreign currency will be used. So US dollar, Euro or Swiss Franc and other currencies used till today will be substituted by own currency. It is an open question to introduce such a principle to other relations.

Global dominance is dealing with energy resources. China knows very well, that its economy depends as well of non-broken supply of those raw materials. China may make some agreements with their neighbours to supply oil and other natural resources. In focus are first of all Kazakhstan and Russia. It is quite obvious that this security geometry is changing very fast. New alliances could be agreed on the basis of collaboration of state and private companies. For instance on Far East: Rosneft, Transneft and China National Petroleum Corporation. China is going as well to Australia looking for supply of many metals to own metallurgy sector and as well looking for new form of collaboration including large investments to Australian industry.

In any case Pacific Rim exists and plays important role. New challenges and new threats implicate new global approach. Such a question is not new. I remember my observations at the early 70's of the last century at the UN, when new approach to bi-polar world just was done by the US-Soviet negotiations. In fact the SALT and a follow-up by the Conference on Security and Collaboration in Europe started.

Now, we would like to know where Poland and Ukraine is placed in this new power-shift? Well, Poland is Member-State of the European Union not the Member-State of the European Communities as we entered in 2004. The European Union is already international organization after the Lisbon Treaty entered into force. Ukraine our neighbor State with high aspirations to come into the EU and NATO. But still there

are so many important questions to be answered. Europe has many problems to solve before the collapse of its economic advantage will come. I am sure, that nobody would like to have such a scenario.

Within the EU the financial crisis and crisis of Euro caused more interest of German business to the countries outside Eurozone. May be it is a sign of the weakness of the EU strategy described in the EUROPE 2020? Stronger Member-States can do more. But what with smaller and less developed Member-States? Where will be the rights of sovereign national countries? How much power will have minorities within European integration? What will be the security system and who will be responsible for safety of people within such a society? Some of those questions are already done because the *acquis communautaire*, that legal package of regulations regulate our currency, central banks, education, environmental questions, transport, foreign trade, personal freedoms etc. Alvin Toffler already put that question in his «Power-shift» when said: «Japan and the United States, for example, are so closely intertwined economically, politically, and militarily, that decisions in one have immediate high-impact consequences in the other. Under these circumstances, the day may arrive when Japan will demand actual voting seats inside the Congress of the United States. In return, the United States would no doubt demand equivalent representation in the Japanese Diet. In this way would be born the first of many potential «cross-national» parliaments or legislatures». [15] At the time Alvin Toffler the opinion expressed, The European Parliament already since 1979 existed. Of course not as an «cross-national» but supranational body. I am not sure if such ideals will be ever realised but sometimes it is very positive to discuss the problem before it will come. It is much better to have a vision which could be introduced, than to have no idea what are these things which could come. In my opinion such supranational bodies will no have real future just because of freedom feeling of people. Then the contradictions between cultures, religions which still are very high. The contradictions between political power and corporations, which have their own economic aims and targets going beyond the borders. How much power will be left to the governments, and how much power to the trade unions and corporations? Who will be mediator when contradictions will arise? Who will be responsible for coordination of security priorities concern of citizens? So many questions we can produce everyday. Nobody

is capable to give an comprehensive and realistic answer being honest to himself and to the society.

What about Ukraine? I guess, that Polish foreign policy since the beginning of the transformation and recognition of the new independent Ukraine has been focused on the accession into the European integration and NATO and not to grow up our mutual relations. Right, Polish economy was not a giant but we lost a time. Secondly, for the process of engagement of Polish enterprises had bad experiences of business in Ukraine and both sides paid not so much attention to solve them with radical actions. In any case, after «Orange revolution» there are much more opportunities to make effective actions.

Another important factor: Poland and Ukraine have together complimentary economies with own resources, professional and intellectual people, common history, easy understanding of languages and culture. Joint ventures should play the role of driving force for mutual development. We have to see more advantage for mutual economic growth via bilateral actions do not looking only at the Eastern Partnership of the European Union. Poland is still not member of Eurozone (in my opinion it is our advantage) and we can similarly to BRICS countries make a clearing of foreign trade and other financial operations in national currencies, which possibly will give an upswing to the mutual development. There is no need to look all the time on the European Commission affirmation as they are not so dynamic as we can be. Euro2012 is still possible to be more effective in common actions than it is. We lost already a time for growing up our building potential as well as for infrastructural business. Unfortunately too much politics less economy. Too much bureaucracy and expectations of the foreign aid. Too much wishful thinking that Chinese will come to build our motorways than to see how many Polish and Ukrainian labor forces waited to be employed just to start trans-border cooperation within the Eastern Partnership. Both countries together have more capabilities to produce healthy food than all together the European Union's countries. It is only one of the cases. Both countries (Lithuania, Estonia, Latvia as well) lost significant part of young generations because of the lack of the labor places in Ukraine and Poland. Of course some very sophisticated political explanations said that it is a sign of mobility. Losing such a great amount of young people immediately we have ageing population.

However not everything is lost. Still there are quite large areas of potential collaboration between Poland and Ukraine. First of all the education. I do not want

to say, that simply mobility of young people to come to Poland to study, but as well mobility of university staff, participation in common or international scientific projects not only within scientific programs of the European Union but international at all. Better trans-border collaboration of our businesses etc.

The global financial crisis is not the effect of individual game of banks, but is connected with different questions of the shift of economic and political power from the West to emerging countries. The liberal vision of the world and its own ability for solving crucial problems of the world economy was ineffective and powerless to solve real challenges of globalisation. Two main streams of globalisation; economic and geopolitical are mutually interdependent. This interdependency is a challenge for global actors not only the «old» but new as China, Russia, India as well. Time is a natural critical factor of every activity, not only business one. Mostly time is running too fast when we undertake any activity. So there is an urgent need for planning, checking and improving projects, financial or personal resources[16]. In a short time globalisation touched geopolitics in three main ways:

- the rapid growth of new economic powers;
- the competition for energy and raw materials;
- transfer of financial resources from West to emerging economies.

Such geopolitical geometry creates the need of redefining the role of the superpowers of the yesterday for the new role of today. I agree with short but very concrete definition of global governance given by James M. Boughton and Colin I. Bradford, Jr. Both Authors give us a concept of global governance, which can be used to the practice of international policy. The definition is as follows:

«The ideal of global governance is a process of cooperative leadership that brings together national governments, multilateral public agencies, and civil society to achieve commonly accepted goals. It provides strategic direction and then marshals collective energies to address global challenges. To be effective, it must be inclusive, dynamic, and able to span national and sectoral boundaries and interests. It should operate through soft rather than hard power. It should be more democratic than authoritarian, more openly political than bureaucratic, and more integrated than specialized» [17].

This definition brings a lot of targets, which are difficult to achieve without a comprehensive and holistic approach to the global problems of the world.

The global governance according to the definition, presented above, assumes that cru-

cial question of the activity is common goal and interest. I am afraid, that majority of organizations are working for their own performance and image. It was a great hope when Millenium Development Goals (MDGs) were adopted by the United Nations. There are still a strategic vision what to do to save our civilization, and how to be more effective with

financial resources given by the states for those aims. Still there is a great competition among groups for instance within agricultural sector of the European Union and global poverty. The fear, what will happen for Common Agriucultural Policy of the EU when Ukraine, Russia and other states will develop to more effective level their agriculture and will supply cheaper products, even of better and natural quality. I guess, that it must be done to solve global malnutrition. It is our common duty despite the arguments of selphish giants. My proposal is to make a revision of the European Union's common policies regrding the three major problems of the world: demographic situation, poverty connected with malnootrition and access to water supply as well as energy resources. Environmental problem is out of the question because strongly belongs to previous global matters.

The financial crisis shows us how it requires interdisciplinary approach to analyse the problem and to find alternatives for solution. As final remark I would like to make a proposal of methodological importance. The proposal, which in my conviction is necessary to make a progress for future deliberations, and what more important, to avoid great contradictions, which are connected with different attitudes to the problem. Those attitudes express experiences from the Past: good or wrong and create maybe prejudices to seat down with their opponents. It is very hard job to see positive side of the discussion. The dialogue requires goodwill and partners ready to start exchange of points of view.

The process of research should be structured, in my concept , like a pyramid:

- cognition as a basic step to start an action. I should know the problem , its structure, obstacles, charactersistics, factors of a greatest importance and a place of human being and organization vital for an essence of the problem;

- conviction , that what I start to do is my input to the research to find a solution for the problem and that it is of great importance not only for me, but for people as well;

- commitment, that I will do my best to find right way for research and development of theretical and practical aspects of the problem waiting for solution;

- creativity, without creative approach I will not find alternatives, I have to build another modell than exists now, new paradigm instead old it will be my creativity;

- collaboration, look for synergy effect, it will come only when I will set up a network of collaborators; if it is international should be more valuable; believe that collaboration is always better than conflict;

- communication, inform people, society, mass media about your common efforts and common success to give a satisfaction to your collaborators and hope to people, that their problems are known and someone is working for improving the situation;

- continuity, remeber to make follow-up of your work, there is only your first step in a thousand miles march;

- contemplation, always look forward, the future is coming with unexpected surprises, don't worry you have a capacity to make a bridge, your friends are with you and someone in trust you.

We can just call this proposal as «A C Rule». Believe it helps to create positive approach to search a progress, and we need it. The problems are never so hard to solve as they are looking like.

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