

ECONOMIC- FINANCIAL CRISIS IN THE NATIONAL AND INTERNATIONAL CONTEXT

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The current crisis has started off in the financial-banking system. In the second stage, as an effect of the financial crisis, the economic crisis occurs. In the beginning, it was no clear vision for the need of anti-crisis actions; the effects of the crisis in the context multilateral and globalisation drivers of the world economy were also ignored. A professional approach is needed concerning the state interventions into the economies, in order to prevent occurrence of 'economic nationalism' or of forbidden protectionist measures. Individual solutions at the level of one state cannot enjoy long lasting success in this fight against the crisis effects. Resolving the problems induced by the current crisis cannot take place but in the context of taking into consideration three dimensions: globalisation, regionalisation and national policy. In adopting the anti-crisis measures it is also necessary to keep in mind the role of international trade.

Key words: financial crisis, economic crisis, anti-crisis actions, international trade.

1. Reading the signs of crisis

It is a known fact that the current crisis has firstly started off in the financial-banking system. The globalisation process made the effects of the crisis to be felt much wider, in the sense that practically it has influenced the world economy, as it could not be localised at the level of one country or one region. This is what caused the crisis effects to be felt through the powerful shock onto the banking sector, greatly influenced by the decrease of trust in the inside of the system, which led to a series of blockages of liquidities.

Attempts by certain bankers or politicians to minimise the effects of the crisis, asserting that 'there is a solid banking system' in one country or another, naturally proved to be mere statements, with no practical value in the globalisation context in which we have to live.

In the second stage, as an effect of the financial crisis, the economic crisis occurs, particularly keeping in mind the importance of the financing in promoting economic development. Thus, accessing bank loans became more difficult for producers and investors directly affecting the delay in accomplishing some projects with direct impact for the economic development. At their turn, the consumers see themselves constraint to give up loans, due to more difficult access on one hand and loan conditions becoming unfavourable. This way, by reducing consumption this ceased to represent an engine for industrial development.

What we can all notice regarding the approach of the crisis is that absence of professionalism determined at the level of the decision factors a certain lack of vision with regards to this and the assessments made at certain stages to prove to be incorrect sometimes or anyway incomplete.

This situation led to a much too frequent call on the crisis effects, which has been called at times financial, at times economic, in order to explain the incapacity to maintain the economic growth or to explain sometimes quite brutal interventions in the economy and justify choice of certain measures otherwise difficult to accept by the society in normal conditions.

Therefore it can be noted that, in the beginning, the current crisis was given rather less attention with no clear vision for the need of anti-crisis plans and without having in mind its effects in the context of multilateral and globalisation drivers of the world economy.

2. The institutions involved in assessing and weighing the crisis effects

As mentioned just earlier, in a globalised world it is hard to accept the possibility to identify solutions to tackle the crisis effects only through national and regional measures. Therefore,

bearing in mind the size of this, most institutions and authorities, at international, national and regional level have approached ways to minimise the impact of the crisis.

In this way, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) are more preoccupied with the effects of the financial crisis and by the measures of remedy in the banking system.

In their turn, the World Trade Organisation (WTO) and the United Nations Conference on Trade and Development (UNCTAD) have taken action to inventory the adopted measures for tackle the crisis negative effects and to assess the way in which the crisis affects the international trade and its financing.

In the same time, at regional level the main 'actors' in the world economy (European Union, MERCOSUR, APEC, EFTA etc) have been preoccupied to identify measures to fight against the crisis.

We must note that the states gained a bigger freedom to act, within their competencies, through more frequent and more profound interventions into the economies, in their attempt to put things back on their right track. In these circumstances, a professional approach is needed concerning these interventions in order to prevent occurrence of 'economic nationalism' or invoking the crisis for taking certain measures, which in normal conditions would not be permitted, being considered as forbidden protectionist measures.

3. The economic context in which the crisis must be put to an end/resolved

Taking into account the size of the globalisation process of the world economy certain international principles and practices must be kept in mind which cannot be and must not be completely distorted by the anti-crisis measures.

Thus, it must be clear to all of us that individual solutions at the level of one state cannot enjoy long lasting success in this fight against the crisis effects. In addition, such an approach would only lead to disconnecting that state from the international economy mechanisms and promoting anarchy, which cannot represent a solution for the 21st century. Hence, the possible solutions must be identified in the context of the practices, mechanisms and commitments taken upon by the states in multilateral plan. On the contrary, through inadequate interventions things can go very wrong to deregulation of the international trade, which would mean going back in time to the way things used to be 60 years ago.

When approaching the international contemporary economy we must keep in mind the three major dimensions:

- Globalisation, which implies rules and mechanism agreed at multilateral level in the field of commerce and international finances. Member States participate in agreeing these rules and mechanisms but are unable to stop their globalisation. This approach was confirmed by the failure of numerous manifestations of the society towards the phenomenon of globalisation but which have not enjoyed any success at all.
- Regionalisation which, in essence is nothing else than the application at regional level of the rules and mechanisms which have agreed at international level, therefore a reflection of globalisation at regional level. This is the result of proliferation of the agreements of regional economic integration and refers particularly to projects of local interest, such as: transport corridors, energy infrastructure, energy markets, free trade areas or custom agreements. The Member States of such a region cannot ignore such an approach as this could lead to excluding themselves from all regional projects, which would no doubt have negative effects on the economic side.
- National policy, which in essence can particularly be translated into making investments into building their own expert capacity who should be able to turn the globalisation and regionalisation effects for the benefit of the national interest. It is now high time for in the crisis

situation to see if these specialists are well enough prepared to identify compatible measures in view of reducing the crisis effects.

Resolving the problems induced by the current crisis cannot take place but in the context of taking into consideration these three dimensions.

4. The main effects of the crisis

These effects have settled in the financial, banking and economic fields.

As a consequence, in the financial-banking sector there can be noticed a de-capitalization, a lack of liquidity necessary to supports of the big projects of economic development and a decrease of trust amongst banks as well as between banks and their clients.

In the economic sector the effects of the crisis have also made visible through:

- Reducing direct investments, which lowered already by 20% in 2008 compared to 2007, and for 2009 the forecast is a further decrease. As a consequence of reducing the volume of available credit and increase of their costs we are now witnessing a decrease of the profit rate which becomes more and more unable to stimulate.
- Control over the international market as a consequence of commercial credits becoming more expensive.
- Decrease in number of financing possibilities for trade by resorting to guaranteeing the export credit, to measures to promote exports etc.
- Increase in number of requests for anti-dumping investigations and safeguard clause in the context of the world market sensitivities growing. Such a situation could lead in 2009 – 2010 to increase in number of measures of economic defence having direct effects on the world trade.

5. Possible action ways against the crisis

International and regional institutions as well as national authorities, applied different measures, in order to limit the effects of the crisis.

Therefore, in the financial sector a number of actions have materialised, mainly targeted to:

- Allocating certain important sums for recapitalisation of banks in difficulty.
- Supporting banks through granting state guarantees.
- Making funds available for banks for ensuring the necessities can be covered.
- Guarantee for the banking deposits for both individual clients as well as for important companies.
- Recapitalization of Agencies for credit guarantee – for export loans and for those meant for SMEs activity.

In the economic-financial sector, the main activities aimed at:

- Allocating funds for supporting certain sectors (automobile, aeronautics, metallurgy and construction).
- Increasing customs taxes for importing certain products (Mercosur, Russia, India, South Korea).
- Decreasing the number of customs points for certain goods, thus obstructing the imports (Indonesia).
- Introducing discretionary import licenses (Argentina).
- Introducing of certain import overtaxes due to reasons such as difficulties in the trade balance (Ukraine).
- Financial support of certain exports either through increasing the level of VAT which is reimbursed (China), either through subsidising agriculture exports (EU).

The approach style of anti-crisis situations is different. Hence, at national level, some countries announce measures or protectionist measures programme. Inside EU there are certain national approaches to subsidy of a sector little affected by the crisis (automobiles France, Germany and Spain). Following on from a less harmonised approach, EU became more coherent in the anti-crisis program, more precisely:

- The funds allocated from public funds for banks and companies represent state aids. In this context of state aids EU took measures to ensure authorising procedures take 24 hours compared to 90 days prior to the crisis. These must stay within the community principles in the field and must stay connected to the restructuring and viability programs of technological modernisation. State Aids have a limited character (end of 2010). It must be proportional (correctly dimensioned) and either periodically monitored and must be stopped as soon as the crisis factors cease to be there, or conditioned by significant contributions from the beneficiary side (which could be carried on even after the economic situation is re-established) and be designed so that these reduce the negative collateral effects onto the competition.
 - Measures of subsidy for exports should not constitute serious breaking of the principles established by WTO.
 - Introducing overcharges for import or increase of custom taxes and to be accepted in the context of the rules agreed within WTO, respectively for difficulties in the trade balance, measures for safeguard the anti-dumping measures.
- Therefore, this is the proof that in the European approach a great importance is given to the 'fine-tune' of the international regulations and not at all giving up these or promoting a primitive protectionism.

6. Proposals of actions anti-crisis in Romania.

In identifying the most adequate measures to fight against the crisis, I appreciate the following to be important:

- Drafting an anti-crisis program in accordance with the measures discussed and agreed at European level. This would be a supplementary confirmation with regards to our belonging to Europe and would facilitate connecting the Romanian economy.
- Identifying the important sectors for the Romanian economy and which through supporting measures to have the chance to become viable.
- Involving the best specialists with economic activity background which should allow identifying the possible mechanisms for intervention and necessary conditions for ensuring efficiency, including increasing the responsibility of the state aid measures beneficiaries.
- Identifying the available names for various interventions in the economy and driving these firstly towards the viable sectors and in the conditions established by the European mechanisms.
- To develop the measures adopted by EU with regards the trade policies to tackle the effects of the crisis keeping in mind that policy in the trade sector is not a national competency, but community competency.
- Promoting the interests of Romania in negotiations with UE with regards to the trade policies.
- Identifying the necessary measures for financing the trade and promoting these in the European context (aid to guarantee the credits for export).
- Adopting a coherent national program to support SME activity which can create jobs and which can contribute to reduce the impact of the crisis.

In promoting these activities it is very important to avoid mistakes which could lead to:

- Cutting off from the commitments and discussions of action against the crisis established at European and international level.
- Superficial or unprofessional approach of the state aid measures, which would considerably reduce the competitiveness of the Romanian economy.
- Brutal and unprofessional intervention in the economy which would cancel the effects of the economic restructurings of the past 20 years, would consolidate non-reform mentality and would excessively increase the costs post-crisis for return to normal market mechanisms.
- Invoking the economic crisis in order to make interventions in economy to satisfy certain limited interests of economic, political or exaggerated interests from the social point of view nature.

- Ignoring the motivation on medium and long term and exacerbation of certain interventionist measures having emergency character which would cause disorder on medium term a Romanian economy, fragile, with market mechanisms at an early stage.

In adopting the anti-crisis measures it is necessary to keep in mind the role of international trade in the context of the current economic crisis.

Practically, WTO is currently working on an inventory of all measures with trade profile adopted by the Contracting parties and candidate countries at WTO. The appeal launched by WTO is for the measures against the crisis stay within the legal instruments negotiated at multilateral level and international commitments taken on by Contracting Parties. WTO's concern is also to avoid the anti-crisis measures adopted and does not represent more or less camouflaged to increase the protectionism which could have dramatic effects for distortion of international competition. Supporting this approach starts from the assumption that trade is a solution for the problems generated by the current crisis and it represents by no means a cause of that.

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