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## ***Synopsis of the Research Proposal***

### **“Crisis of the Globalization and Geopolitical Implications. The Case of the Recent Financial Crisis”.**

When the legislator of the Greek Constitution [in its final provision] confined its application to the Greeks’ patriotism, he would have not imagine that, at the end of 2009, a Greek prime minister would link the external-debt-threat with the national sovereignty. But, other countries too, experienced such a geopolitical dimension of the crisis.

However, broader questions are at stake in the international system, such as: ‘Does the recent financial crisis mark a turning point to the American hegemony towards a multipolar world, or the *status quo* will prevail again’?

Mostly, the research of the international academic community focused on the priorities for the crisis-response and the exit strategies.

Exploring the geopolitical impact refers to the aftermaths of the crisis. Therefore, the question ‘how does the crisis affect the poles of the International System’ is a critical one. So, ‘what role for the EU and what would be its position within an enlarged power-system’? ‘Why there still is dollar predominance in the International Monetary System’?

‘What are the crisis-consequences for the Bretton-Woods Institutions? Though some international regimes have weakened (using the Krasner typology) the following question arises: ‘Will the G20 change international regimes / organizations only on procedures and regulations, or it will affect principles, norms and standards’?

#### GENERAL PLAN:

\* Preface to the thesis.

\* A. Introductory part.

Geopolitical point of departure, for the analysis. Characteristics of the crisis.

Comparative perspective with earlier crisis.

\* B. The Geopolitical implications as they can be seen through the Institutions.

B.1. Through *ad hoc* governance (G20). Cost of the Transnational Coordination of Economic Policies. Why The G20 did not operate successfully the Adjustment for the International Monetary System. The challenges about the international reserve currency within and outside the Institutions.

B.2. Observed implications, as for the official Institutions. What the impact to the international organizations concerning: 1) the decision-making process; 2) their financing; 3) the financing of their members; 4) their ideology.

\* C. International System. Global imbalances and U.S.A. defense spending. USA – China complex interdependence. Imbalances on regional level. Europe, NATO.

\* Conclusions.

### DISPUTES.

The main academic controversies, involved in the research, are presented in each section.

But generally, the thesis argues that the G7 has not weakened in the G20, contrary to the views of those who see G7 should no longer exists. What has changed is the balance of economic powers, by the rise of emerging economies (Asia, Latin America).

Also, that the recent crisis has led to strengthening the role of the state against the financial private sector. Thus, the thesis is in contrast with previous considerations about the ‘Washington Consensus’ and the deregulation of markets, since the 1980’s, because the States try to regain control over the private (financial) sector.

Additionally, about the geopolitical implications and in the limited time-horizon, the thesis agrees with other studies on the further time-extension of the US hegemony, despite its weakening power. The bottom reason is that its traditional allies weakened more (Europe notably, Japan), though potential rivals are not yet strong enough.

The previous point of view stems from the introduction of the ‘hard power’ into the economic analysis, which modifies the results.

### Finding, in sum:

1) While in geo-economic terms, the impact of the crisis looks like towards a multipolar international system however, adding the geopolitical terms into the analysis, the impact of the crisis tend to prevail U.S. hegemony, despite the decline of its power. For the above result, count mostly: that before the outbreak of the crisis, the U.S. were in hegemonic position (despite the double deficits); that it still maintains the highest GDP per capita (World Bank data version 2010) and (one of)the most

advanced military equipment; and finally, the assumptions regarding the concept of geopolitics and the dimensions of power. After all, global imbalances in the Current Account Balances, provide the U.S. defense-spending with more liquidity. This is due to the role of the dollar as an international currency - especially as the preferred international reserve currency.

The 'dramatic' changes concern the intermediate structures of the system, and particularly the shift of (relative) power from Europe to Asia, particularly to China.

Thus, for the US, the ratio of defense-spending / GDP was not only the largest one among the G20 partners (during the crisis) but rose further in 2008, which did not happen to other G20 partners. As for 2009, when the recovery had just begun, most countries including the US were hurried in allocating additional resources to the 'hard power' (military spending).

New data (SIPRI) released in April 2011, showed that the military expenditure of most States in 2010, continued to increase but at a slower rate than the previous year. Exceptionally, EU countries have reduced their military spending by about 2.8% (in real terms) due to the impact of the crisis in Europe. Additionally in NATO (2010, Lisbon) the Euro-Atlantic alliance reached the following agreement because of the crisis: 1) reduction of the military personnel in 1/3, 2) reduction of the delegations, 3) reduction of the Military Directorate (Headquarters), from 11 to 7.

On the other hand, the spectacular rise of China is not a medium-term-threat to the US, because China has not yet been established as an equivalent - alternative- pole and its total power is far from the US one. Moreover, their complex interdependence (US-China) works in favor to the United States, too. On the contrary, the emergence of China as a local ruler in its region causes potential tension in the Asia - Pacific (mainly) due to the coexistence and other partners G20: Japan, Australia, India.

Also, the relative gains of soft power are again in favor of the U.S. because, the political authoritarianism underlying the culture of China or Russia, is diametrically opposed to that of the West, and generally the G7.

Also, about the development assistance (which affects the soft power of the donors), the OECD announced in 2010, that the official development assistance (ODA) of its members towards developing countries amounted to 6.5% in 2010, above the 2009 level, i.e. at the highest level since 1992, surpassing the levels of 2005 (when the G8 summit in Gleneagles was committed to increased economic aid). In 2010, the largest (by volume) donors were the U.S. followed by: England, France, Germany, and

Japan. However, Greece, Ireland, Italy, Slovenia, Iceland, were among the countries that reduced the percentage of their assistance, due to internal fiscal problems.

2) At the regional level:

Other geopolitical impact of the crisis was the increased clout of emerging economies in Asia and especially China which overtook economically Japan (2010) and the decline of the European performance.

The crisis of 2008-9 highlighted emerging economies as key actors at the issue of global imbalances, the problem of Adjustment. and the global recovery.

In Asia, the greater impact of the crisis is that in the same neighborhood are, 1) the second and third largest modern economies (China and Japan), 2) three of the four BRIC countries (Brazil, Russia, China, India), 3) that all the above-mentioned countries are close to other emerging powers, within the G20 (such as Indonesia and Australia -the latter is related culturally to the West to a greater extent).

In North Africa and Middle East, in addition to the direct adverse economic consequences of the crisis, the rising of oil prices (since 2008) served to intensify the differences between oil-export and oil -import countries of MENAP (acronym for countries in the Middle East - North Africa, and Pakistan). Moreover, the increase in oil prices combined with the fragile and uneven recovery among the rich and emerging economies, count as a reason for the military intervention in Libya, 2011.

In Latin America, South America copped better with the crisis, than the countries of Central America and the Caribbean that have experienced stagnant or shrinking economic phenomena along with financial problems.

As for the European Union, the strengthening of institutions for the European governance is the positive effect. On the other hand, the internal imbalances increased in favor of the continental forces of the Euro zone. For example, Germany strengthened and southern countries weakened (especially Greece, Portugal,). Also, the weakening of peripheral (island) countries of the North, particularly Ireland that also appealed to the EFSF, in 2010. Furthermore, financial problems also faced UK (more comparatively to France, in 2010), and since 2009, the ex- socialist countries of Eastern Europe, too).

3) Another impact was the greatest - but unsuccessful - challenging for the dollar as international reserve currency, behind the scenes, during meetings of the G20.

4) Another, the strengthening of the institutions of global governance. To begin with, the establishment of the G20 at the leaders level was the first chronologically,

geopolitical consequence of the modern financial crisis. But the cost for the crisis-management did not incur proportionally to countries from which the crisis started. The G20 partners have agreed to what was a positive sum game in the agenda; but failed to fix Adjustment of the International Monetary System, through exchange-rate deals (because it is a zero-sum game).

5) The G20 supported the Bretton-Woods Institutions (among which the IMF was the protagonist). Voting shares, financing toolkit, resources changed, but not the principles or procedures.

METHODOLOGY of the work-analysis; in sum:

The research considers the geopolitical consequences of the crisis, as a dependent variable of the power. The analysis is conducted on a systemic level (the G20 states are considered to be the main actors), and has been more sensitive to the relative power changes.

The quantitative criteria are based on economic power indicators, provided by IMF, the World Bank, the WTO, looking for both 'soft' and 'hard' power parameters. Fiscal balance and government debt are also included, due to the crisis-recent-developments, as the academic community and the last G20 Summit have recognized.

Moreover, as shifts in the share of a country to the global GDP is not enough and sufficient evidence of economic and consequently of military power, the research took into consideration the ratios: defense expenses / GDP, R & D expenses / GDP. Nor did the research neglected qualitative analysis, or to mail with a specialized Institute and an international organization.

However, selecting data from the IM F (mainly) and other Bretton-Woods institutions does not rely on their 'full objectivity' or competency; but rather on the fact that these data constitute the basis for the G20 decision-making process.

Finally, I used as a guiding question 'which actor benefits or not by the phenomena'. Additionally I observed, the basic criteria of the main academic schools-of-thought, as well.