THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON THE
INTERNATIONAL RELATIONS

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Introduction

The present global crisis is one of the latest crises, which influenced on the international economic relationships in a direct form. Analyse nature of the financial-economic crisis that burst in the end of 2007 and its different causes in different parts of the world. The crisis with its huge financial component that hit the banking systems and different economic sectors in Europe and the United States of America (USA), reminds of the famous and similar crisis of 1929-1933.

In 2008 this crisis broke out and appeared as bank crisis in the United States of America and it expanded and finally reached in Germany and then to other countries of Europe and the world economy. This led to a growing and extremely high number of unemployment.

Circumstances of the two crises are absolutely different from several aspects. The principal feature of the present crisis is that its effects are restricted on the European and American economies. Treasuries and central banks in these countries spent billions of dollars in order to sustainable their banking systems from the total collapse and from a suffocating liquidity problem that could totally paralyze economic capacities.

All these factors influence a great number of developing countries, including Arab countries, and obstruct the economic development process. The reverberations of these effects are present in all fields of economic sectors in these countries. International Bank can intervene in a direct way, as a representative of “the government of the New World” by granting financial sources for creating progress and carrying out different projects, the effects of which can be seen in the labor market, and all this can speed up and accelerate the employment process.\(^1\)

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1. COMPLEXITY, OBJECTIVES AND DIFFICULTIES OF THE RESEARCH

1. Examine the reflections and manifestations of the global financial crisis and the effects on several great powers and other countries, among them the developing countries. In such a way we can show the ability of international systems to confront the challenges that can lead to the creation of mechanisms by the help of which managing of the crisis can be solved in the future.

.- By examining the global crisis in the line of crises which influenced the international relationships in a direct way, we can get an answer to the principal question formulated in this research;

.- What is the effect of the global crisis on the international relations?

   The basic question raises several sub-questions:

How is the American rescue Plan?

What are the latest developments of the global crisis in the context of international relationships?

To which extent did the globalization influence the international relations?

- Effects of globalization on the developing countries.
- International trade movement in the context of globalization and its manifestations on developing countries.
- The American-European-Asian relationships.
- The international situation - a future vision.

2. Objectives of the Research: Study of the manifestations of the global crisis on developed and developing countries and on the least developed ones – in order to demonstrate the present and possible effects. Investigation on the real roots of the global crisis and the ambush of shortcomings. Analysis of the extent of the effects caused by the global credit crisis on the international relationships. Evaluation of the mechanism that are at present available to diminish the negative effects of the crisis and suggestions for the treatment of the problem. Study and analysis of the need for an international managing. Analysis of the international managing and its efficiency in facing the global crisis.
Analysis of the role of globalization in managing and administering of the global economy. Analysis of the role of the International Monetary Fund. Analysis of the role of OPEC.

Hypotheses of the research

The postulations of the research come from its studying the global crisis and the range of its effects on the international relationships.

Hypothesis:

1- At all the oil price increase was not enough for creating the global economic crisis.

2- The energy crisis adding to the general global economic crisis

3- The oil revenues did not create the unified economic structure of OPEC member countries including Arab countries.

Working on the elucidation of the international managing and the how’s of facing the global crisis. The aim is at working on understanding the positive sides of the financial crisis and its impacts on globalization.
2. MATERIALS AND METHODS

3. Applied methods in the research, which are as follows. Methods of systems: The research deals with the relation between the international system and its effect on sub-regional system. This method studies the relationships in their totality, not their particularities. The historical method: According to scholars and to those who study the international relationships in order to use history as a means for being able to make a choice or to be sure about the repetition of certain events in a regular form. Perhaps Paul Kindy explained this example, in his book The Great Powers 1500-2000. The analytical method: The researcher may use this method in order to analyze the events and some of the agreements and international regulations coming from decision-makers; as they appear in the context of this research. Method of managing the crisis: Crises requires from the person in charge, from those who make decisions, quick steps, in case of lack of information and lack of sufficient time; due to the fact that is the most important events described to solve crisis situation in this research occurred expectedly. This is why this method is needed.

4. The research is divided into six chapters. The first chapter deals with the theoretical framework and with the concepts of the present financial crisis and real estate financing and the suggested solutions for the crisis. The second chapter deals with the international relationships in the context of the revolution of information and the characteristic features of the new world system. The third chapter deals with the global crisis’ effect and influence on the Arab World and with the similarities between the present crisis and that of the thirties in the past century and with the oil-exporting (OPEC) countries and their role in maintaining the oil prices in the world.

The fourth chapter deals with the international relationships and how are these affected by the global crisis and with the concept of international relationships and the latest developments of the global crisis in the context of international relationships, also with the International Monetary Fund.

The fifth chapter deals with the future of international relationships in the context of the global crisis and globalization and the influence of globalization on the international relationships. The USA has been managing its manifestations on the world system Middle
East. Finally, the sixth chapter deals with the international situation and with a future vision of its.

2.1 New concepts and methods – which are more rigid

5. Without regard to who planned and executed the explosions in Washington and New York, a lot of questions may arise before one can give answers to a lot of signs and milestone features that appeared in the one-pole world system which ruled the world in the last decade of the 20th century. The most prominent of them: Did the recently created global system meet the ambitions of those who imposed it? And whether the results produced by the events of the last decade, were they really harmonious and agreeing with the aims and goals they were planned for? Were the latest changes on regional and international levels sufficient to convince Washington that the global system should remain as it was? Answer to these questions would be very long to enumerate. A summary of them can be the following:

First: Some observations on Washington’s leading role of the global world system and its most important issues

Second: Backgrounds and aims of the American offensive against the world

Third: Characteristic features of the next phase and the form of the new global system
3. RESULTS OF RESEARCH:
THE EFFECT OF THE GLOBAL CRISIS ON THE ARAB WORLD

6. The American financial crisis is reflected in most economies of the world, for this reason it has been called global financial crisis. The Arab countries form a part of the global international economic system, and consequently they were hit to some extent by this crisis. The extent of influence to which the Arab countries were exposed depended on the volume of financial-economic relationships between the Arab countries and the rest of the world. In this context, we can divide the Arab countries into three major groups as far as the influence of the crisis is concerned:

**Group One**: These are those Arab countries that have a high-degree financial-economic openness. This group includes the countries of the Gulf Cooperation Council (GCC).

**Group Two**: This includes Arab countries with middle-degree openness, like Egypt, Jordan and Tunisia.

**Group Three**: Arab countries with low-degree of openness, like Sudan and Libya.

7. **Exterior, foreign causes**: Hostile foreign countries strive for imposing a negative influence on the economy, which in its turn, may affect the whole Arabic economy with all its elements. This may bring as a result instability of these countries. These are the consequences of different political standpoints which do not serve the sublime national aims and objectives in the concerned countries on the contrary these are inconsistent with them. **Interior causes**: Lack of a sound economic planning, lack of a delicate balance between production and consumption, insufficiency of research tools, development and adaptation of knowledge and lack of employment of scholars for the success of economic plans that in fact may be based on a 100% home financing. Raw materials should be homeland-produced, so that a given country may avoid economic blockade or any kind of political extortion coming from abroad. Lack of using different means of mass media for mobilizing the nation to participate in the success of the economic plans, in such a way, they will be the tools and means of success of the economic plans and its objectives. Moreover, they will be the people of implementation and the beneficiaries of these results in economic growth. All this will have a positive effect on their personal life and this should be publicly announced by a clear message in mass media.

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2 Mustafa Ulwi, Professor of International relations at Cairo University, *The International Relations, its notion and objectives*
8. There are some forms of its, which are as follows: Direct intervention: This can be realized by way of economic blockade and fight against the products and imposing laws that can have an effect on the balance of payments, and by economic tampering, as it happened in fact during the global economic crisis. Indirect intervention: This can be realized by way of a non-noble competition and rivalry in the economic field and by a direct aggression against the Arabic countries’ infrastructure in order to influence the national production, as it happened in fact, in Ghazza and Lebanon. Risks of economic activities: The results of the collapse or those of the economic weakness are dangerous as far the Arabic national economic security. This can have as a result abnormal and aberrant social behavior, manifesting in rebellion and opposition to the society. If the individual’s income diminishes, this can contribute to the collapse of social and religious values. All these facts may have their effects on all elements and immunity of the society. This can lead to the weakness of ideological values (crisis of values) in the society, with special regard to the spreading corruption as a consequence of poverty. This led to a social collapse and finally to a political collapse and breakdown in the Soviet Union and recently in Tunisia, Egypt and Libya in 2011.

9. Similarities between the present crisis and that of the thirties in the XX century: What is more a lot is said about the nature of the financial-economic crisis that burst in the end of 2007 and about its different causes and effects in different parts of the world. The crisis with its huge financial component that hit the banking systems and sectors in Europe and the United States of America, reminds of the famous and similar crisis of 1929. Actually this crisis broke out and appeared in United States of America and it expanded and finally reached the and later on to all Europe. This led to a growing and extremely high number of unemployment. It also helped the emergence and rise of fascistic systems in Europe. One may say that it encouraged Japan’s fast industrialization in the face of the pervasive western colonialist challenge, on the ground of the Asian continent and to occupy great parts of it, especially Chinese territories before the Second World War.

10. The economic crisis of 1929-1933, that reaches back to the past century greatly influenced the economies of the Arab World, which were under the influence and dominance of one of the great European powers, more exactly France, Great-Britain and Italy. These countries, at that time, were on their way of building the infrastructure and modernization of their economies, albeit in a restricted form, in the face of the colonialist power and according to their economic interests. This progress stopped or it has slowed down up to the outbreak of
the Second World War. Circumstances of the two crises are absolutely different from several aspects. The principal feature of the present crisis is that its effects are restricted on the European and American economies. Treasuries and central banks in these countries spent billions of dollars in order to save their banking systems from the total collapse and from a suffocating liquidity problem that could totally paralyze economic capacities. As far as the countries of Latin-America are concerned and China, India, countries of East Asia with quickly and efficiently progressing economy, these states were not hit by the crisis only marginally.

11. The Arabic Gulf Region has entered into a financial speculation outburst and boom, just a few years before the beginning of the global crisis. For the move of stocks in GCC countries was rising sharply between 2002 and 2005. Market value of shares listed in GCC stocks jumped from 163.3 billion in 2002 to 1131 billion in 2005, this means a sextuple growth of shares market value. All this happened in a three-year interval, short before oil-prices took a sharp rising trend beginning from 2006. The irony of the situation that in the same year, i.e. in 2006, a sharp decline appeared in the market value falling to 722 billion dollars, this was similar to the inevitable adjustment that happened three years after the unjustified boom. Market value returned to be improving in 2007, approaching the level in 2005 (i.e. 1112 billion dollars). But the Gulf stocks saw a strong setback in 2008, for the market value was shrinking to 600 billion dollars, i.e. to the half of that in 2007 (54%). All this happened in spite of the fact that the year 2008 was a year that witnessed a sharp rise of oil prices, reaching 147 dollars a barrel in July of the same year. This predicted a certain recovery of the GCC stocks. But we see that the market value of these stocks, at the end of June 2010, did not exceed 716 billion dollars, this means a 34% growth only, compared to the market value level at the end of 2004. This was after those 5 years, which witnessed extreme rises in oil-prices.

12. In the Kingdom of Saudi Arabia, the ratio of shares market value to the national product was 204.7% in 2005, compared to the value of 2002 that was 39.7% only. But this rate declined sharply in 2006 and fell to 91.7%, then took a temporary rising trend in 2007. Then again it declined to 52.5% in 2008. We may mention here the effect of KSA’s stock on other stocks of GCC countries due to the fact that it represented during years 46% to 57% of the total capital assets in the GCC member-states stocks. The Saudi stock index and indicator fluctuated heavily and was volatile between 2002 – when it closed the year at a 2518 level,
and in 2005 reached the level of 16712. In the following year that is in 2006 fell to the level of 7933, then in 2007 was growing again and it reached the level of 11038, then declined again sharply in 2008, as low as 4802. Recently it showed a kind of growth, i.e. in September 2010 reaching the level of 6354.

13. These sharp fluctuations in GCC stocks demonstrate a structural problem in the Gulf economies, having an excessive inclination towards financial speculative moves and also in the field of real estate. This distorted in a way the economic development process in these countries. Stocks in Bahrain and Oman did not participate in the speculation fever that hit the Kingdom of Saudi Arabia, the United Arab Emirates, Kuwait and Qatar. It has to be stated that all Arabic stocks entered into a non-logical outburst in those years. One can clearly see the development of the general indicator of Arabic stocks, regularly monitored by the International Monetary Fund, having the same directions that appeared in the GCC region. This indicator increased from the level of 230.5 in January 2005 to the level of 437 in January 2006. Then turned to the level of 223 in January 2007 and reaching the level of 166.2 in December 2008.

14. In general the crisis of the Arab World could accompany with the consequently continuously increasing production of crude oil in the world, in spite that the world economic recession stimulated to decrease the economic growth, investment activities and some little crude oil demand. So the crude oil supply – demand balance changed in direction to supply side, when the crude oil demand decreased. Demand of crude oil decreased, which was resulted by almost the OECD countries. Also the OECD decreased their crude oil production, while the world crude production increased little more than the world demand for crude oil also after the world economic recession (see Figure-1A, Figure-1B, Figure-2, Figure-3 also the Table-1). Almost such amount of crude oil demand was equel with decreasing demand of OECD for crude oil in the world economy (see Figure-5, Figure-6, Figure-7, Figure-8, Figure-9, also the Table-2 in Appendix). Finally the world crude oil production increased by economic ambition activities of Asia included India, China and Middle East (Figure-8 Figure-9 in Appendix), but their demand for crude oil did not increase in fact generally. Asia does not include China and Former Soviet Republics in these data collections. China is independently demonstrated in data and the Former Soviet Republics are according to the Non-OPEC country-group.
15. In general I can declare that in 2008 the world crude oil export was 100%, and the world crude import was 106.4%, which means that the foreign trade export-import balance of crude oil was so moderate, not too considerable deficit. In the same time the foreign trade export-import balance of OECD in field of crude oil was so large deficit, the import was 448.3%, which accounted for 100% export of OECD. In 2008 from point of view of crude oil export, which was 357,613 tona of OECD, as 16.6% of all of the world crude oil export, while the share of Africa was 18.6% and share of Middle East was 39.6% from all of the world crude oil export. This means that the share of OECD was not so large from the world crude oil export, but it can be seen as considerable concerning the significant dependence of OECD on the import energy including the crude oil import (see Table-5, also Figure-16, Figure-17, Figure-18).

16. Gulf Cooperation: GCC Countries’ economies became more and more attached, in several aspects, to the giant rapidly growing economies in Asia. This fact keeps them away from the negative effects of states of shrinkage or the economic weakness in the economies of industrialized European and American countries. The abundance of savings in the private sector became an encouraging environment for repeating the state of the local real estate and financial boom which had been absolutely detached from the developments in global markets or from the rising periods of oil-prices. In this respect, it is inevitable for the fiscal and monetary and banking authorities to take decisive measures in order to prevent the return of what happened between 2003 and 2005 and the excessive and random embarking upon Gulf stocks and real estate sector. The public and private sectors in the GCC Countries have to agree upon a clear strategy so as to realize a greater diversity in the field of economic activities outside the oil-producing and petrochemicals spheres as well as the financial and real estate sectors. They also have to reduce the dependence from the Asian cheap over-employment, by developing the local human resources and creating job opportunities in order to facilitate the employment of efficient, professional Arabic people in these countries.
4. CHARACTERS OF THE LAST CRISIS

4.1 International relationships and their state influenced by the global crisis

17. The topic of international relations means the definition and analysis of international forms and layouts that depends on cooperation and conflict what really connect the international activities of a given state, like international organizations and multinational companies and other forms. In cases, the behaviors and actions of some personalities can be studied, who have real influence and effective role in international relations. But necessarily, one has to focus on the foreign portion, concept. For this latter defines the field of international and foreign relations. It needs a central authority organizing the power lines and its distribution, in accordance with legal principles that are agreed upon. There are several other attempts in order to reach the consensus of the international community concerning the framework of relations based on the self-interests among those participating, like: International Law, Sea Law and the Charter of the United Nations.

4.2 Recent developments of the global crisis in the light of international relationships

18. The speed of economic and financial developments in the world does not allow time for relation, crises follow one another in a consecutive way, bankruptcies are almost daily phenomena, prices of basic commodities, especially oil-prices in successive rise and decline; all this in a moment when attention turns towards international meetings summits which perhaps may result in a glimmer of hope for leaving behind this dilemma. From this point on, the concerns of all countries turn towards the Summit of the Group of Twenty (G-20), which was held in Washington DC., in November 2008. All this is in the shade of the latest international-economic developments from among them: prominence of a great number of emerging countries that had important positions in international-economic relations, like China, India and Brasilia and GCC Countries. These try to produce a special agenda expressing their interests, including representation of these countries in international organizations like the IMF and the World Bank.
4.3 Credibility of monetary policies around the financial crisis

19. The financial-monetary policy, in its general form in any economy, aims at realizing and establishing groups of objectives, the most prominent of them on the level of macro-economy is and strengthening of growth, creation of price-stability and maintaining the stability of financial markets. The developments in the literature of cash economy show that the realization of this requires the cooperation of the private sector. The private sector and the traders in markets undertake the attestation of the central bank that it strives for the realization of these objectives and aims. The philosophy of attestation is based on changing the traders’ expectations in the economy which can correspond to the objectives announced by the central bank. This philosophy or simple mechanism helps the economy to reach the state of balance and stability. For example, if the central bank announces its wish to reduce the rate of inflation in the next period, this will stimulate the private sector to increase the production or the offered commodities or services in order to gain the greatest possible profit. This can in fact reduce the rate of inflation.

4.3.1 International relationships in the shade of Information Revolution

20. Globalization and information revolution have become, in the recent past, the most sensitive and susceptible issues in the ongoing international dialogue to analyze the different impacts of information revolution and the methods of control of events on international level. This is happening in such a period when quite a lot of people have doubts concerning the positive effects of globalization on the different aspects of financial, economic, political, cultural, ideological, informational and communicational issues relevant to the present international relationships. In a moment when in the imagination of International Monetary Fund (IMF), globalization appears as: “Rising, developing level of active and quick integration of money, service and commodity markets”. Y. S. Ivanoff the Minister of Russian Ministry of Finance has emphasized in his book “The Russian Foreign Policy in the era of Globalization” some basic political, economic, scientific and technological elements of the globalization. He has also attempted to give an analysis of it from the Russian point of view. He mentioned that it had blown up the cultural life and the civilization and it had also changed the picture of humanity. In the meantime most of the experts say that the term “globalization”
means a new period, a new phase in the development of capitalism. Or, it represents the latest phase of imperialism.³

4.3.2 The International Monetary Fund (IMF)

21. It was tempting for macroeconomists and policymakers alike to take much of the credit for the steady decrease in cyclical fluctuations from the early 1980s on and to conclude that we knew how to conduct macroeconomic policy. We did not resist temptation. The crisis clearly forces us to question our earlier assessment. This is what this paper tries to do. It proceeds in three steps. The first reviews what we thought we knew. The second identifies where we were wrong. The third, and the most tentative of the three, takes a first pass at the contours of a new macroeconomic policy framework. A caveat before we start: the paper focuses on general principles. How to translate these principles into specific policy advice tailored to advanced economies, emerging market countries, and developing countries is left for later. The paper also mostly stays away from some of the larger issues raised by the crisis, from the organization of the international monetary system to the general structure of financial regulation and supervision, touching on those issues only to the extent that they relate directly to the issue at hand.⁴

4.4 What we have learned from the crisis

22. Inflation, even core inflation, may be stable, and the output gap may nevertheless vary, leading to an obvious trade-off between the two. This is hard to prove empirically, as the output gap is not directly observable. What is clear, however, is that the behavior of inflation

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The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks, 2007, University of California, Berkeley.
is much more complex than is assumed in our simple models and that we understand the relationship between activity and inflation quite poorly, especially at low rates of inflation. Or, in the case of the precrisis 2000s, both inflation and the output gap may be stable, but the behavior of some asset prices and credit aggregates, or the composition of output, may be undesirable (for example, too high a level of housing investment, too high a level of consumption, or too large a current account deficit) and potentially trigger major macroeconomic adjustments later on. When the crisis started in earnest in 2008, and aggregate demand collapsed, most central banks quickly decreased their policy rate to close to zero. Had they been able to, they would have decreased the rate further: estimates, based on a simple Taylor rule, suggest another 3 to 5 percent for the United States. But the zero nominal interest rate bound prevented them from doing so. One main implication was the need for more reliance on fiscal policy and for larger deficits than would have been the case absent the binding zero interest rate constraint.

23. The increasing trend toward separation of the two may well have to be reversed. Central banks are an obvious candidate as macroprudential regulators. They are ideally positioned to monitor macroeconomic developments, and in several countries they already regulate the banks. “Communication” debacles during the crisis, for example on the occasion of the bailout of Northern Rock, point to the problems involved in coordinating the actions of two separate agencies. And the potential implications of monetary policy decisions for leverage and risk taking also favor the centralization of macroprudential responsibilities within the central bank. Against this solution, two arguments were given in the past against giving such power to the central bank. The first was that the central bank would take a “softer” stance against inflation, since interest rate hikes may have a detrimental effect on bank balance sheets. The second was that the central bank would have a more complex mandate, and thus this can be less easily accountable. Both arguments have merit and, at a minimum, imply a need for provides a detailed discussion of the tools that could be used to complement the current regulatory ratios to manage aggregate risk over the cycle.6

5. THE FUTURE OF INTERNATIONAL RELATIONSHIP UNDER THE AUSPICES OF GLOBAL CRISIS AND GLOBALIZATION

5.1 The influence of globalization on the international relationships

24. The topic of international relations means the definition and analysis of international forms and layouts that depends on cooperation and conflict what really connect the international activities of a given state, like international organizations and multinational companies and other forms. In cases, the behaviors and actions of some personalities can be studied, who have real influence and effective role in international relations. But necessarily, one has to focus on the foreign portion, concept. For this latter defines the field of international and foreign relations. It needs a central authority organizing the power lines and its distribution, in accordance with legal principles that are agreed upon. There are several other attempts in order to reach the consensus of the international community concerning the framework of relations based on the self-interests among those participating, like: International Law, Sea Law and the Charter of the United Nations.

25. The report prepared in 2002 by the World Bank also proves this it unveiled the deceleration of global economy’s growth rate, especially in developing countries. In its turn this means the obstruction and obstacle of reducing the number of the poor in these countries. The report goes on stating: “In spite of the continuously growing oil-prices, the growth rate in the Middle Eastern Region and North-Africa declined to 2.5% as compared to 3.2% in 2001”. Other declines, regression have followed this phenomenon not only on social-economic level, but in political context too, for one can witness an unprecedented growth of dependence of systems in this region and their complete subordination in the American globalization system. This can be proved by the aggravation of incurable political, economical and social crises and the manifestations of dependence, backwardness and underdevelopment in the Third World countries in general, and in oil-producing countries in a special sense; in spite of the rise of prices from about 80 dollars a barrel in the middle of 2006.

26. In short this means: call for stopping the direct intervention of the state, liberalization of the capital from all restrictions in complete harmony with the spirit of new liberalism which in its essence is capitalist phenomenon closely related to the freedom of property, “market, sell
and buy” and its inevitable logic leads to the sharp disparity in property and wealth. In the
light of these policies, the mechanisms of the International Monetary Fund and the World
Bank and those of the World Trade Organization (WTO) have gained momentum
enthusiastically, in the field of promotion of this liberalism, furthermore by exercising
pressure on all countries in the world and especially on third world countries, in order to
accept the new conditions under the motto correction and adaptation programs that represent,
as it is demonstrated by Ramzi Zaki: “This is the first international project carried out by the
global capitalism in order to re-integrate third world countries into the capitalist economy. All
this can weaken state apparatus and its deprivation from economic profit. These are two
principal buttresses used by the new liberalism.” (Ramzi Zaki 2000).

27. At present, in an unprecedented way, banks and multi-national companies and financial
organizations in Europe and the United States of America rule and control the vast majority of
economic organizations. This basic function of the state’s domination is represented by how it
allows the flourishing and boom of multi-national companies. The imperialist state grants
support to a small group of capitalist ideologists (thinkers, intellectuals) in the center-state,
along with numerous new liberal ideologists and intellectuals in third world countries whose
personal interests have become substitute of their national loyalty and allegiance. New
colonization is globalization and financial speculation is the age of information technology in
the shadow of the compulsory globalization, through the American and European centers.
Here, globalization is the spread of commodities and products, culture and information. As far
as its central content is concerned, to the furthest extent, it is by the domination of American
and European capital on the movement and track of physical commodities, goods, culture and
information. This is why the thought that globalization creates a connected correlated world is
actually wrong, for it has created a ruled and governed world, of which 80% are dominated by
the American and European capital.

28. The objective, as it was presented above, of the nature of globalization, especially when
all these physical and intellectual data are available to it, in the context of knowledge and
technology revolution and the revolution of information and telecommunication which
reinforce and cover the political, economic and social sides of the globalization and this
pushes towards the transition of this concept to physical, active and effective facts on this
planet, within the framework and tools of Western civilization and capitalist, industrial
countries which fall under its flag, through the mono-polarity of domination of the United States of America.

5.2 Effects of the globalization on developing countries

29. Concerning the beginning conceptions of the dissertation I would like to summarize the thesis for the emerging hypothesis, some questions and some considerable issues according the the OPEC and Arab countries, which are as follows:

1- At all the oil price increase was not enough for creating the global economic crisis.
Thesis: The oil price changes were mainly depend on the lack of the energy and inbalance of supply-demands of oil energy resource. The economic crises have more and deeper causes concerning the aggregated supply-demand decreasing or falling balance, unemployment rate, less GDP growth, more rate inflation. The main causes of the economic crisis coming from the USA from 2008.

2- The energy crisis adding to the general global economic crisis
Thesis: Luck of energy, the alternative energy resources were not enough developed – sun, wind, water and nuclear energy, dominance of the fossil energy, not efficient use of fossil energy resources, for example crude oil and refinery oil output.

3- The oil revenues did not create the unified economic structure of OPEC member countries including Arab countries.
Thesis: The economic structure of OPEC countries is not diversified, mono structure economy is mostly depends on the world prices of crude oil. So the economies of OPEC countries depend on the oil world price changes. Their economies are very vulnerable. The absorbtion capacity of the Gulf and Oil export countries in field of capital and advanced technology or their possible implementation is at very low level for the manufacturing industry. This is proofed by the large amount of crude oil export instead of refinery oil output from OPEC countries. In the light of the preceding facts, an objective and careful look at our present world, following the first decade of the 21st century, confirms that most nations and countries of this planet in Africa, Asia and Latin-America still live under the influence exercised by the shock of the collapse of the bi-polar world, that finally led to the total collapse of all kinds of previously prevailing international balances.

30. The international organizations dedicated to the service of the capitalist system in its present state, which are as follows:
The International Monetary Fund that controls the management of the global monetary-fiscal system by establishing policies and basic regulations. This is carried out in complete harmony with the World Bank; equally in the following fields: installing privatization programs and structural adaptations or disbursing loans and benefits and the supervision of establishing markets in developing countries for the free movement of goods, commodities and capitals coming from the industrial centers.

World Trade Organization (WTO) at present it controls and supervise the global trade and commercial system addressing the liberalization of global-international trade and elimination of tariff barriers, and protecting the free market and the flow of goods in a time span not more than the end of 2006.

31. Multi-national companies that possess capital assets with a value more than 36 trillion dollars. This amount approximates the GDP of all countries in the world. In this respect we can refer to the fact that the economic authority of these global-international companies is concentrated, to a great degree, in American and European companies. Facts, taken from Financial Times of January 1999 prove that from among the 500 greatest companies, 244 are from North-America, 173 are European and 46 are Japanese. That is, in other words, 83% of the most important organizations that control the global production and trade are from North-America and Europe. Power and authority concentration has become spectacular, if we consider the 25 greatest companies in the world (their capital fund surpasses 86 thousand billion dollars); more than 70% of these are from North-America and 26% from Europe and 4% from Japan. This means, if the multi-national companies control the global economy then the United States of America is the dominant force and power for the moment being. This can prove that the argument or thought according to which globalization creates a correlating world is absolutely wrong.

5.3 International trading movements under the globalization and their effects on developing countries

32. On the contrary to what was written by the thinkers and intellectuals of globalization and by the defenders and supporters of privatizations and liberalism and liberalization of world trade and their positive effects on the developing countries, for the results coming from the integration of the developing countries in these measures, indicates several facts:
In spite of the growth of the volume of world trade up to 9.2 trillion dollars in 2003\(^7\) (in the middle of 2006, this was estimated to be ca. 10 trillion dollars per year). The share and ration of developing countries in world trade remained firm and stable during the past three decades around 18%, including the ratio of oil-exporting countries, while taking into considerations that the population of this group represents 75% of the world population.

In spite of the fact that advocates of globalization and the financial and economic liberalization thought that countries in the developing world would profit from the stream and flow of direct foreign investments, although this did not happen. It has become evident in past two decades that more than 90% of the direct foreign investments go actually into the developed countries (the United States of America, Europe, Japan and China). As far as the rest of the developing countries are concerned, they obtained only 10% of these investment streams. In this respect, the global investment related data prove that in 2000 this amount reached 1393 billion dollars and it declined with 40% in 2001 as a consequence of the 11 September events. 90% of these investments were concentrated in the industrialized countries, thus the amount of foreign investments directed to the developing world did not surpass 162.1 billion dollars in 2002\(^8\), and it did not exceed this number till 2005.

33. The total debt stock in the developing countries grew significantly and in a dramatic way in the past decade from 603.3 billion dollars in 1980 to 2172 billion dollars in 1997. In 2004 this amount reached approximately 2.5 trillion dollars. With the growth of the volume of these debts, interest rates climbed higher and debt service ratio, which in some of these countries was more than 100%\(^9\).

The globalization of financial markets and all what it involves from among the financial liberalization measures had important and dangerous effects on developing countries. It led to the lift of the ban on transactions that includes capital account and financial accounts of payment balance. Thus these steps exposed the banking machinery to crises due to the flow of dirty wealth (money laundering) and the country was exposed to speculations and to the

\(^7\) Arabic Strategic Report 2003-2004, Center of Strategic Studies, al-Ahram, Internet.

\(^8\) Op. cit.

\(^9\) Ramzi Zaki, Effects of globalization and illusions behind the mirage, Al-Minhaj, Number 57, Damascus, 2000, winter, p. 6
weakening of national sovereignty in the field of financial-monetary policy. This led and encouraged the flow and stream of domestic capital to foreign locations.

The contribution of developing countries (146 countries) to the world GDP declined (at the end of 2004 it reached 36 trillion dollars)\(^\text{10}\) falling to 29% as compared to 71% of the developed countries (the United States of America, the European Union and Japan). As far as the Middle Eastern countries are concerned they participated with 2% and contributed to the world GDP.

\(^{10}\) Report of Human Development, UNO Programs UNDP, 2005
6. THE SAUDI-EUROPEAN RELATIONS AND ITS HORIZONS

34. The world we live in and its global notions suffered and still suffer from the repercussions and aftermath of these events. And the Kingdom of Saudi Arabia is one of the countries hit and influenced to a considerable degree by these events and its consequences on local level as well as on the level of its relations with other countries, from among them the relation of the Kingdom with the countries of the European Union. All this necessitates the establishment of strategy for a policy that fits the changes and latest developments of this period, witnessed by our region. Relying on our understanding of the present situation of relations between the Kingdom of Saudi Arabia and the European Union we can describe the horizons of the relations and summarize them in the following way:

- It is the Kingdom’s interest that cooperation with Europe should not be restricted to excellent economic relations or to the rapprochement of political views between European governments, but it is worth to continue the cooperation with mass media organizations, academic institutions and with intellectual and cultural organizations in order to build bridges of understanding, of mutual understanding between the two societies and to explain the disputed matters that exist among them.

35. Urging the European Union to increase the investments in the Kingdom and to reduce the deficit in the Saudi-European commercial balance which demonstrates an advantage to the European countries. It is also important to activate and set in motion the signed agreements and conventions between the GCC countries. As it has already been done, when the Kingdom received an international and European support and its efforts in order to join the World Trade Organization; all this was perceivable in the speech of the Saudi Minister of Foreign Affairs, at the Center of European Policies, EU, February 2004, when he said: “On such a small planet in which we live, we cannot avoid and neglect one another. And we do not need much imagination to describe those great achievements what we are able, together, to bring into being by exploiting our common resources for the benefit of our nations.”

The agreement and coincidence in the vision and perspective of the EU and Kingdom of Saudi Arabia concerning democracy in the Middle East may help an objective and realistic proposal by the United States of America; and the reform must come from within and it should not be forced and compelled from abroad and to maintain and preserve the particularities of different societies.
6.1 The International situation – a future, prospective vision

36. The report of the Federal Reserve Bank confirmed in 2001 the continuity of the weakness of development in the industrial and trade sectors with a tendency to more reduction in interest rates\(^\text{11}\). As far as the effect of this crisis is concerned on the American economy, most estimation proves that losses may increase in the case of more than 80 million American investors the size of their losses may be about 8.6 trillion dollars.

By reading these figures, number and important economic reports, one say that the United States of America’s consummation is greater than its production the country’s import is larger than its export. During the past few years the United States of America registered – as we have already referred to this – the highest numbers of bankruptcies in its modern history (more than 700,000 bankruptcies). In addition to this, the USA began to suffer from the greatest financial deficit in the world, exceeding 400 billion dollars. The USA’s total debt exceeds all records, as it began at a level of 3000 billion dollars, i.e. 1.5 times more than the total debts of all other countries in the world, in addition to this more than 10 million people are unemployed (8% of workforce).

37. In a similar way the United States of America fell to the rank of 13 as far as healthcare expenditure is concerned and country ranked number 17 as far as educational expenditure is concerned and country ranked number 29 in terms of the numbers of scholars and technicians as compared to the total number of population. In the USA there are only 55 scholars and technicians per 1000 persons, this number is 317 in Japan. As far as drug and alcohol consumption are concerned, the United States of America is ranked first in the world in this respect, for drug consumption in the USA reaches 80% of total world consumption, furthermore 50% of the American population are exposed to different aspects of crimes and 21% of female population are exposed to sexual harassment and rape.

The American budget deficit in the last decade of the past century was about 350 billion dollars and the size of foreign debts reached 3.5 trillion dollars. The debts of individuals increased with about 12% in that moment when the average income grew with about 7%. In the same way rate of unemployment was rising to about 8% during the nineties and selling

\(^{11}\) Khalil al-Anani – Majala al-Siyasa al-Dawliya, (in English: International Political Issues), Cairo, Number 150, October, 2002
rates fell sharply in automobile and real estate markets. Productivity speed and growth was three times less than that in Japan and two times less than in Western Europe. In addition to this, we can mention the deterioration what the healthcare services and education faced.

38. Social balances on which the active accumulation was based entered a phase of gradual erosion. This, in its turn, led to the fall of the previously mentioned three models. This leads the system into a violent structural crisis, since the beginning of the seventies. This crisis had different manifestations, such as decline of growth rate and that of accumulation and return of high levels of unemployment in the western world, backward movements, in several regions of the formerly socialist east and south. This crisis manifested in the fact that the derived profits could not find sufficient access to profitable investments that would be able to the re-expansion of production capacities. Significant changes took place concerning the ranking of nations in the global-international system; such as division of the former third world into two great groups of peripheral capitalist formations. One of them realized in fact, by way of industrialization, the capacity to confront the competition in world markets in the field of exporting industrial products.

39. The second group has not realized any of these capacities yet. Thus the first group is able to contribute to the formation of a global system, in an active way; although its specific strategy is in contradiction and interaction with the ruling trinity. Thus, it deserves to be called the “third world”. As far as the second group is concerned it is in a vulnerable position, and it is unable to develop its special strategy. So the world leading powers may impose on the countries of this group a unilateral “adaptation” and subordination to the benefit of the requirements and needs of colonialist expansion. It is in this sense an absolutely and completely marginalized region; consequently we can call it “the fourth world”.

40. This economic power that is embodied in multi-national companies is the basic and fundamental incentive of politics and contemporary international relations; through its direct or indirect domination on decision-making process in the greatest industrialized countries. It undertakes the duty of orienting and forming of these relations among different nations, according to special strategic standards, all of them are centered around the idea to maximize the standard profit and to ensure this purpose and objective, for in our days companies have hidden and invisible central role in creating and orienting international policies, no other political force or power could match them in the same magnitude. In the light of this, it is not
strange what is going on nowadays, like the growing and aggravating contradiction between
the phenomenon of globalization, capitalism and between the concept and notion of complete
independence and independent progress and development, social justice and democracy in the
countries of the third world. These are, up to now, latent contradictions and limited to the
level of masses who are in need for organized transformative force and power, that would be
able to shape these contradiction so that these can be the required form of public, democratic,
national opposition.
7. NEW SCIENTIFIC RESULTS

1. Since 2008 new global economic crisis has started based on the financial – bank crisis of the USA. This process was described by statistical data provided by the International Monetary Found. The difficulties of energy sector were before the economic crisis of 2008, which were proved by the increasing energy and crude oil demands from which the energy price increased.

2. In the world economy in consequence of economic crisis the production decreased, which also decreased the demand for crude oil but at the minimum level, also in spite the recession, the oil exporting countries increased the oil production, which considerably decreased the crude oil world price level. When the crude oil production decreased, this resulted in increasing the crude oil world price level. This means that the crude oil demands were depend very strongly with general oil consumption including the population and household demands and not only the industry. The price fluctuation of the crude oil was directly depending on actual minute market demand-supply of oil at first, and not directly on the world economic crisis.

3. Crude oil price income of OPEC and including the Arab member states basically did not change the economic structure of their economies, towards their economies did not become diversified. Their economic growth considerably depends on their crude oil production, the world price of oil, so their price income coming from selling oil.
8. CONCLUSIONS FOR THE RESEARCH

The XXI century is a turning period for the world economy of the mankind, because an ignition point to deal with the XXI century’s challenges in all economic aspects. It should be taken in consideration that, part of these challenges have been caused by changing consumption structure of the mankind, and its energy demands.

The fact is that, today world, is globalize in all aspects, and global crises mainly predominate and deeply affects international, national, regional relations and interests. The global crises of 2008 are the real XI century’s conglomerate challenges, that are facing the mankind, in some fields, which are as follows:

- generated and mainly as results of the human economic activities;
- economic crises: decreasing economic growth;
- energy crisis concerning the crude oil production;
- global warming, ozone affect, climate and environmental changes, nuclear pollution, pandemic (epidemic),
- poverty and hunger, immigration stimulated by increasing unemployment rate.

Although this general economic crises has different characters, but the fact is that, all this crises of 2008 has global and mutual considerable effects on each other. There is no reality to implement an absolute model or solution or new mechanism to face the international economic crises.

To deal with economical crises and its effects on the international relations, it should be taken in consideration that these issues are more complex and global. Opportunities for acceptable common solutions required an available, long-term global and permanent treatments.

The new complex globale mechanism should manage to global economic crisis of 2008, which could have been accessed and applied in terms of short, medium and long-term treatments and solutions, which depend on international, national and reional conditions and their economic structure since the beginning the economic and social characterized
formulations, for example international associations or unions of common interests, namely EU. Asian, Gulf-regional organizations, OPEC, OECD, UN, ...etc. Human resources and social factors should be taken in consideration very strongly and decisively, with regards to any implementation or solutions and treatments for the economic crises.

The global economic and the international relations have direct or indirect effects on human resource management and their employment issue, which generate and regenerate new or unexpected social affects, indifferent with regard to societies of developed or less developed economies.

Reality, it can be accepted that the fact that national interest comes first, and therefore as an essential option in order to deal with the global economical crises and its effects on the international relations, to approach an available model and treatments as a compromise with regard to national and the international interests.
9. SUMMARY

The major trait of the present crisis can be characterized by the fact effecting on European countries and on the USA. Analyse the present situation of the Arabic World and Middle East in general; this can be done by comparing the results caused by the crisis of the past century and by the present crisis.

Objectives of the Research, which are as follows: Study of the manifestations of the global crisis on developed and developing countries and on the least developed ones – in order to demonstrate the present and possible effects. Investigation the real roots of the global crisis and the ambush of shortcomings. Analyse of the extenting effects caused by the global credit crisis on the international relationships. Evaluate mechanism, which is at present available to diminish the negative effects of the crisis and suggestions for the treatment of the problem. Study and analyse the need for an international managing. Analyse the international managing and its efficiency in facing the global crisis. Analyse the role of globalization in managing and administering of the global economy. Analyse the role of the International Monetary Fund. Analyse the role of OPEC.

The historical and analytical methods: According to scholars and to those who study the international relationships in order to use history as a means for being able to make a choice or to be sure about the repetition of certain events in a regular form. Analyze the events and some of the agreements and international regulations coming from decision-makers; as they appear in the context of this research.

Summarize thesis according the OPEC and Arab countries, which are as follows:

I- At all the oil price increase was not enough for creating the global economic crisis.

Thesis: The oil price changes were mainly depend on the lack of the energy and inbalance of supply-demands of oil energy resource. The economic crises have more and deeper causes concerning the aggregated supply-demand decreasing or falling balance, unemployment rate, less GDP growth, more rate inflation. The main causes of the economic crisis coming from the USA from 2008.
2- The energy crisis adding to the general global economic crisis. Thesis: Luck of energy, the alternative energy resources were not enough developed – sun, wind, water and nuclear energy, dominance of the fossil energy, not efficient use of fossil energy resources, for example crude oil and refinery oil output.

3- The oil revenues did not create the unified economic structure of OPEC member countries including Arab countries.
Thesis: The economic structure of OPEC countries is not diversified, mono structure economy is mostly depends on the world prices of crude oil. So the economies of OPEC countries depend on the oil world price changes. Their economies are very vulnerable.
The absorption capacity of the Gulf and Oil export countries in field of capital and advanced technology or their possible implementation is at very low level for the manufacturing industry. This is proofed by the large amount of crude oil export instead of refinery oil output from OPEC countries.
**List of Publication**

**Yahya bin Ali Mughram, PhD Student**

*Scientific Book chapter:*


*Scientific Journal papers in English*


*Scientific Journal papers in Hungarian*


Conference papers in English


