

## A VISION OF THE POST-PANDEMIC ECONOMY

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**Abstract:** *Coronavirus has generated changes and mutations not only in the conduct of our daily lives, but also in the organization and functioning of the economic mechanism at national and global level.*

*The rapid changes and shifts that are taking place in the economy are for the moment the result of the political mainstream, especially the governmental one, and of the system of international financial institutions.*

*What is visible and certain is the elimination of some limits in giving up ideological principles and established rules of the functioning of the economic mechanism. Thus, the neoclassical ideology, the foundation of the whole scaffolding of the global economic policies, easily compromises by admitting that in the current conditions state interventionism has a more important role than free market laws in counteracting the effects of the pandemic on the economy. This process easily went beyond the regulations of the liberalization of trade in goods, returning to protectionism with nationalist accents as well as to bans on food and medicine exports. The principle of European solidarity is being threatened by unilateral decisions taken by Member States, or by the abandonment of European agreements in order to replace them by national decisions.*

*Globalization was based on the imperative to produce, sell and buy, move, circulate, move on. Its ideology of progress is based on the idea that the economy must definitely replace politics. The essence of the system was the abolishment of limits: more trade, more and more goods, more and more profits to allow money to circulate and turn into capital. This whole concept of development has ceased to be the guiding principle of economic growth and development, the current trend being the return to national borders, if not in a strictly territorial sense, at least in an economic sense.*

*That is why one of the important changes of recent months is the emergence of policies designed to change the meaning of supply chains.*

*Rethinking supply chains is a consequence of border closures or of the sudden closure of transport. It is a critical point of pressure that weighs mainly on car manufacturers and capital goods. As a result, there will be a trend of relocating production to European or Maghreb countries where wages remain lower than the European average.*

*Another quick and important change is the one related to the role of the state in the economy, neoliberalism successfully promoting throughout the global economy the idea of the need for the limited role of state decision and state interventionism in the economy.*

*The current change consists precisely in reversing the role of the state from passivity to activity, considered as the only one capable of ensuring an efficient system for managing the pandemic and restarting the economy.*

*For many analysts, the coronavirus crisis could lead to a profound change in the global economic model and in the individual economic behavior.*

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*This is an extremely important issue also from the perspective of Romania's future. We are at a turning point and will have to make quick and complex decisions, because Romania risks entering a post-crisis period in an economic stagnation difficult to overcome, due to the lack of productivity, innovation and modern management. The gaps between Romania and the vast majority of European countries will be maintained, condemning us to occupy a marginal and lower place in the hierarchy of the European economy, characterized by a high and dangerous degree of dependence on the evolution and dynamics of markets in the strong states of the European Union. The explanation of this situation lies in the type and functioning of the structure of the Romanian economy. The current structure of the Romanian economy lies on the last concentric circle of European integration, if its center is considered the western core of the EU.*

*There is no doubt about this inevitability. The crisis caused by the pandemic already exists and despite the optimism of some international financial institutions it will profoundly affect the state of the world economy and the life of the citizens. There will be not only major changes in the paradigm of the neoliberal model of the global economy but also changes in the balance of power between the world's major economic and political actors. The trade war between the USA and China is also beginning to have important political aspects, as the fight for world leadership between these two superpowers is generating tensions over the entire world. These tensions will surely have many "collateral victims" through the direct and indirect damage that many national economies, even the European Union, will suffer, as a result of the economic and political consequences of the US and China entering a state that some Western analysts define as " a cold war but with a tendency to warm up".*

*These elements will aggravate the pressure that the pandemic crisis will put on the state of the world economy, determining the extent and depth of the effects of the crisis not only on the economic field but also on the balance and stability of international relations.*

**Keywords:** *coronavirus crisis; value chains; multilateralism-unilateralism; protectionism, neo-liberal global economic model.*

## **THERE IS ECONOMY EVEN IN THE PANDEMIC**

We live in a period that thoughts we would not have imagined we would go through even in our darkest. In just a few weeks, everything we thought was eternal collapsed, what we thought would never happen happened.

Coronavirus has generated changes and mutations not only in the conduct of our daily lives, but also in the organization and functioning of the economic mechanism at national and global level.

Experts have talked about the paradigm shift in the current global neoliberal model since the Great Depression of 2007-2010, with some outbursts of intensity brought by the rise of sovereign currents, Brexit, the Yellow Vest movement or the promotion of neo-Marxist ideas supported by the works of Thomas Piketty and the CADTM Manifesto Committee on the Abolition of Illegal Debts "ReCommonsEurope: Manifesto for a New Popular Internationalism in Europe".

Immediately after the onset of the coronavirus crisis, Thomas Piketty has advanced the idea of the need to change the current order and economic system, because the pandemic would be just a curtain that hides the real situation characterized by a deeper crisis of the European capitalist system. On March 15,

2020, Thomas Piketty stated: The coronavirus crisis is nothing but the tree that hides the forest ... It is not enough to say "We need to change the economic system", we need to describe what other economic system needs to be created ... The Covid-19 pandemic health crisis must lead us to define new decision-making criteria for global economic governance ... it is not enough to say "We need to change the economic system", we need to describe how the other economic system and the other organization of property would look like, who should hold power in companies, what other decision criteria we should have.

We could start a fascinating debate on how, in the context of the pandemic crisis, supporters of changing the neoliberal model influence and act in the direction of moving to another model, but this would mean stopping only at the level of discussion, because in practice, at least for now, the ideas of such changes remain at the declarative level.

The rapid changes and shifts that are taking place in the economy are for the moment the result of the political mainstream, especially the governmental one, and of the system of international financial institutions.

More than two months after the outbreak of the Covid-19 crisis, the changes, sometimes even unexpected and shocking in their originality, do not reveal an action plan or at least an idea of what should be done. They look more like some sort of improvisation in the context of the fright that overwhelmed the entire category of Western policy makers.

What is visible and certain is the elimination of some limits in giving up ideological principles and established rules of the functioning of the economic mechanism. Thus, the neoclassical ideology, the foundation of the whole scaffolding of the global economic policies, easily compromises by admitting that in the current conditions state interventionism has a more important role than free market laws in counteracting the effects of the pandemic on the economy.

The rules for the liberalization of trade in goods were easily overstepped, returning to a protectionism with nationalist accents as well as to bans on food and medicine exports. The principle of European solidarity is threatened by unilateral decisions by Member States, or by the abandonment of European agreements in order to liberalize national decisions. A first step in this direction was taken when the new European Commissioner for Economic Affairs, Paolo Gentiloni, stated that the European Union must consider relaxing its strict budgetary rules, such as respecting a structural deficit of 3% of GDP and a public debt of 60% of GDP.

However, aware of the difference between the current and previous crises by focusing on blocking the productive system of the real economy and not on blocking the banking financial system, governments have tried to envisage exceptional measures since mid-March. For example, such measures were formulated in France by the well-known Think Tank "Le Cercle des économistes" led by Jean-Hervé Lorenzi, consisting of 30 professors of economics. In their

presentation of the proposals, the authors mentioned that these were exceptional and that economic history had so far not known such measures in the conditions of the normal functioning of the European economy.

Here is a list of measures, together with the consequences they could have:

- Public over-indebtedness to subsidize corporate losses due to social isolation measures;
- This over-indebtedness could lead to a technical default on Italian and Spanish debts, while also jeopardizing the French debt;
- A European agreement, aimed at reforming the objectives and operations of the European Central Bank, can lead to a more or less direct absorption of public debt by the ECB;
- Saving businesses and injecting cash will be urgent, and the targeting criteria are unlikely to be optimal, leading to distortions if poor companies previously receive too much funding, while stable businesses receive little funding;
- More or less temporary nationalizations of companies, especially those that are too large (mainly airlines);
- The level of public and private debt will lead to an increase in interest rates, neutralizing the banking instrument for controlling debtors' risk;
- The economy will restart with much more liquidity available than before. Banks will increase credit from a much larger base. As a result, wealth inequalities will tend to expand through rescue intervention and not through the "market";
- The inflationary risk in consumer markets may increase sharply;
- Structural distortions will accumulate because of liquidity injections and massive credit stimuli; a new, larger crisis will take place at the next trigger;
- The worst structural consequences and distortions can be avoided if the government takes advantage of central bank subsidies to rebalance its budget, reform its taxation, relax its bureaucracy and adopt strict fiscal responsibility rules.

The above measures obviously have theoretical elegance, but the inability to name exactly the action to be taken also has quite dangerous consequences, especially since the population's resentment towards "house arrest" can lead to a terrible period of economic uncertainty and especially since this money created from nothing will have to be paid. Indeed, it must be borne in mind that an episode of excessive debt necessarily ends in a debt offsetting that can take many forms: austerity policies to which southern Europe has already paid a heavy price; massive non-payment, debts that are not repaid, reduced or canceled; aggressive inflation. In this climate of uncertainty and exploration, there are proposals that

would have been unthinkable before the pandemic, especially when they are supported by prominent personalities of the economic world. Former European Central Bank governor Mario Draghi announced in a March 25 column in the Financial Times that some private debt could be canceled.

Who will take these decisions? Who will lose and who will win? Will it be possible to save banks as in 2008?

Because of the scarcity of arrangements developed in the form of rapid response strategies to the problems that the pandemic has generated in an extremely short period, measures appeared that no one would have had the courage to implement before, being considered contrary to the European norms and values, as well as to the globalized economy.

Thus, after the World Trade Organization and the main economic actors of the global market campaigned for the disappearance of borders and of tariff obstacles, with the outbreak of the pandemic, national and trade borders have reappeared.

Globalization was based on the imperative to produce, sell and buy, move, circulate, move on. Its ideology of progress is based on the idea that the economy must definitely replace politics. The essence of the system was the abolishment of limits: more trade, more and more goods, more and more profits to allow money to circulate and turn into capital. This whole concept of development has ceased to be the guiding principle of economic growth and development, the current trend being the return to national borders, if not in a strictly territorial sense, at least in an economic sense.

That is why one of the important changes of recent months is the emergence of policies designed to change the meaning of supply chains.

Rethinking supply chains is a consequence of border closures or of the sudden closure of transport. It is a critical point of pressure that weighs mainly on car manufacturers and capital goods. As a result, there will be a trend of relocating production to European or Maghreb countries where wages remain lower than the European average.

Another quick and important change is the one related to the role of the state in the economy, neoliberalism successfully promoting throughout the global economy the idea of the need for the limited role of state decision and state interventionism in the economy.

The current change consists precisely in reversing the role of the state from passivity to activity, considered as the only one capable of ensuring an efficient system for managing the pandemic and restarting the economy.

There is an important debate in this regard in the main Western European countries. The opinion leader is the "spoiled child" of American universities, probably a future Nobel Prize winner, Mariana Mazzucato.

Here is her opinion, published in La Repubblica on 6/04/2020:

*“Since the 1980s, the state has been told to sit in the back seat and leave the wheel in the hands of companies so that they can create wealth. ... As a result, governments are poor when it comes to crisis management, such as Covid-19 or climate change crisis. The dominant role of the private economy in public life has also led to a loss of confidence in the state's ability to initiate change. ... The current crisis is an opportunity for us to reinvent the relationship between the state and companies. Instead of simply correcting market failures when they occur, the state should actively work to model and create markets that can produce sustainable growth without excluding anyone”.*

For some time now, the coronavirus crisis has entered a new stage. The new stage marks a change in concept and methods in Western European countries regarding the relationship between the pandemic crisis and its economic consequences.

Robert Boyer, the director of EHESS (Ecole des Hautes Etudes en Sciences Sociales), shares a similar perspective to emphasize the role of the state, as stated in *Le Monde*:

*“It is high time that the state, through a coherent system of economic circuit planning, dealt efficiently and quickly with the urgency of health. ... To think that the market is coming out of the crisis would be making proof of a guilty naiveté”.*

It is increasingly common in the current Western analysis to think that the moment of "untimely changes through political DIY measures is coming to an end, followed by a period of resettlement and possible return to old principles and customs", as a result of awareness of the inability to exit from the crisis by absolutizing the rules of fighting the pandemic to the detriment of the economy<sup>553</sup>.

For some time now, the coronavirus crisis has entered a new stage. This new stage marks a change in the concept and methods in Western European countries regarding the relationship between the pandemic crisis and its economic consequences.

The onset of this change coincides with the findings of several studies conducted by the National Center for Scientific Research in France. On April 2 2020, Yves Gaudin, the head of this Center, told France Info: the virus will continue to circulate in the world, and humanity will have to live with the SARS-CoV-2 virus ("We must prepare to live with this virus"), which means that a clear dividing line is being drawn between the current policy - "we don't have a vaccine, so stay home and keep the isolation"- and the new policy: "even if we don't have a vaccine, learn to live with the virus".

This new interpretation has determined almost immediately the most important Western European countries to move to gradual relaxation measures

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<sup>553</sup> John Cassidy, *The Coronavirus is Transforming Politics and Economics*, 03.04.2020.

and allow free movement, the opening of trade and services, even the reopening of schools<sup>554</sup>.

The attempt to return to normalcy maybe a consequence of this new approach which would admit the inability of our economic model to survive during a period in which a simple virus cannot be controlled.

Of course, we can't help asking ourselves questions. First: were these disorganized changes and mutations, which no one expected, proof of the lack of vision and of the inability of the current global political establishment to devise coherent strategies and policies of crisis management? Second: is accepting the risk of relaxation, given that the pandemic is not yet under control, proof of the inability of contemporary science to protect humanity from misallocation of resources in favor of an over-technical humanity and to the detriment of improving the health and living conditions of the human kind?

For many analysts, the coronavirus crisis could lead to a profound change in the global economic model and in the individual economic behavior.

This is an extremely important issue also from the perspective of Romania's future. We are at a turning point and will have to make quick and complex decisions, because Romania it risks entering a post-crisis period in an economic stagnation difficult to overcome, due to the lack of productivity, innovation and modern management. The gaps between Romania and the vast majority of European countries will be maintained, condemning us to occupy a marginal and lower place in the hierarchy of the European economy, characterized by a high and dangerous degree of dependence on the evolution and dynamics of markets in the strong states of the European Union. The explanation of this situation lies in the type and functioning of the structure of the Romanian economy. The current structure of the Romanian economy lies on the last concentric circle of European integration, if its center is considered the western core of the EU.

This structure was achieved by exclusively external influences, by the chaotic infusion of foreign capital through relocations, due to the fact that there was no long-term national strategy to define structural priorities based on the analysis of national factors of comparative advantage. The Romanian economy has been transformed into a subcontractor specialized in the production of spare parts, subassemblies and “lohn” products for the western markets. It is a structure that transformed the Romanian economy into an import-dependent market and led to a process of involution of the level of industrial development. As a result of the combined effects of the lack of strategy and the chaotic infusion of foreign capital, the "assembly manufacturing" economy has developed to the detriment of the "innovation and research" economy.

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<sup>554</sup> "Coronavirus: the statement of the President Frenchman Emmanuel Macron 12/03/2020" [https://www.youtube.com/watch?v=U\\_qD7OliGjw](https://www.youtube.com/watch?v=U_qD7OliGjw); Ursula von der Leyen, “The European Union's requirements for deconfining”, 16.04.2020.

This direction must be changed in order to be able to hope not only for a recovery of the economy after the coronavirus crisis, but also for a better positioning on the European and global competitive scale.

As a member of the European Union, Romania must take into account its economic strategy guidelines, according to which the financial recovery package to counteract the effects of COVID-19 on economies and to promote the recovery and transformation of European economies must be based on two pillars. The two pillars of such a recovery - the green transition and the digital transformation - together with a strong and deep single market, will promote new forms of growth, will stimulate cohesion and convergence and strengthen the EU's resilience. The COVID-19 pandemic highlighted the need to accelerate the digital transition in Europe. Taking advantage of the opportunities of this transition is essential to strengthen the economic base, strengthen competitiveness, facilitate the green transition, creating jobs and improving the lives of citizens.

Romania cannot avoid these European strategic orientations, and certainly cannot afford postponements or delays. Economic policies aimed at modernizing and streamlining the economy through the rapid transition to digitalization must find their place and importance right now, at a time when the effects of the pandemic have not yet been removed.

A parallel action is needed to control both the effects of the pandemic and the reorientation and updating of the economy in the direction of the new trends of the fourth stage of the industrial revolution, because *there is an economy even in the pandemic*.

### **FROM PROTECTIONISM TO MULTILATERALISM OR ONLY TO MINI-MULTILATERALISM**

One of the questions that the international economic environment asked itself with the change of leadership of the United States of America was that of the direction that the new president, Mr. Joe Biden, will give to foreign economic relations.

Will the protectionism established and practiced by the Donald Trump Administration continue or not?

Although immediately after the inauguration the new president reiterated his predecessor's rigid position towards China, the general orientation seems to be more "flexible", especially regarding the European Union. Traditional transatlantic relations and a return to the negotiating table on COP26 are being envisaged.

But how far can that "flexibility" go?

There are however some doubts about this perspective.

On February 2, 2021, the editorial of the prestigious "Le Monde" underlined the following fact: " Far from breaking with the protectionism of his predecessor, the new president of the United States intends to strengthen it, with the risk of



weakening multilateralism and the transatlantic relationship, without any benefit for the American employees. On January 25, five days after the inauguration, Joe Biden signed a presidential executive order to force the administration to buy more American products. Now, for a product to be considered "made in the USA", more than 50% of its components will have to come from American companies. In addition, a US company can be selected in a competitive bidding process, even if it is 20% more expensive than a foreign competitor.

First of all, "Buy American" had an exorbitant cost to the American taxpayer by significantly increasing the price of public procurement, according to a recent study conducted by Peterson Institute for International Economics<sup>555</sup>. Each job kept through these protectionist measures costs a quarter of a million dollars.

Second, import duties have led to an additional cost for the US consumer, with no dramatic effect on relocations. Over the past four years, the US trade deficit has continued to grow, reaching a peak.

By imitating Donald Trump, Joe Biden has every chance of getting the same result. If the ambition to protect American jobs is legitimate, it must go through the return of the United States to trade multilateralism whose previous administration has self-excluded. Instead of turning to an unfortunate protectionism, the United States would benefit from supporting reciprocity rules that would facilitate its access to new markets abroad. "

What is meant today by trade multilateralism and to what extent can it still be considered a central pillar of the international trade?

Multilateralism is a theory of solving international problems through collective remedies based on "liberalization, equality and reciprocity between a plurality of states or between all states". This thesis has been dominant since 1945. Indeed, in order to reach agreements accepted by the entire international community, it is necessary to involve as many countries as possible on an equal basis. Ever since 1945, the stated and claimed goal of Western countries has been to create a multilateral regime of trade participation so that economies evolve in such a way as to be mutually subordinated, which would discourage the states that make up this framework to implement force policies because they are in a relationship with trade allies.

J.M. Keynes' definition of multilateralism has remained famous: "*The natural effect of trade is to bring peace. Two nations negotiating together become interdependent: if one has an interest in buying, the other has an interest in selling; and all agreements are based on mutual needs*"<sup>556</sup>.

However, one must also take into account the not always linear and logical evolution of international economic relations against the neoliberal model of the global economy.

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<sup>555</sup> US-China phase one tracker: China's purchases of US goods, 27.01.2021.

<sup>556</sup> "Statement by Lord Keynes on the proposed Bank for Reconstruction and Development" 1944.

After decades of relative economic stability, international trade has seen its dynamics disrupted by the Covid-19 epidemic. Many believe that this disruption will not be short-lived. Leading analysts and trade experts believe it will lead to months or years of economic instability. The contribution "The Economist Intelligence Unit" for 2019, written in partnership with Basware, highlights the factors that will have an impact on international trade, trade transactions and supply chains from 2021 and that would influence the balance or imbalance between protectionist policies and multilateralism. The following five factors have been identified as having the greatest impact on world trade in 2020 and beyond:

- Covid-19 crisis;
- US-China trade policy;
- Trade policy between the United States and the European Union;
- Increasing non-tariff protectionism;
- Digital trade taxation.

World trade, which has already slowed since the 2007-2008 financial crisis and has been weakened by the US unilateral protectionist measures and trade tensions, is expected to have a historic collapse in 2020 as a result of the covid-19 pandemic. The multilateral trading system, already affected, is now being destabilized by the US trade policy, but the crisis of the system also has much deeper causes, structural causes.

While its rules were negotiated almost 30 years ago, under American auspices, international trade has changed profoundly with China's entry into the WTO and its growth, the globalization of value chains, the growth of services, e-commerce.

The management of international trade is suffering from a crisis of leadership and needs new rules more than ever. In this context, marked by the rivalry between the United States and China and the tensions that could be exacerbated by the severe economic crisis triggered by the pandemic, the European Union, historically dedicated to multilateralism, must find the right strategy to continue to exist on the international stage and to influence trade negotiations. All the more so as it is facing another major shock, Brexit.

Since the election of Donald Trump, US trade policy has contrasted with the G20's call to reject protectionism in the face of the crisis of late 2008 and of its free trade messages in the years to come. Although the United States has made a significant contribution to the liberalization of multilateral trade, it has not hesitated to use protectionist measures when it comes to defending the American economic interests, for example under Reagan or Obama.

The destabilizing character of these policies is due to the nature of the instruments used but also to the messages that accompany them. This is a profound discontinuity with the standards on which the multilateral trading system is based, of which the United States has historically been the architect and leader.

Thus, the protectionist measures clearly motivated by economic concerns were justified by the national security argument (increasing tariffs on steel and aluminum imports in 2018), which places them de facto outside the scope of the multilateral trading system.

The United States considers that WTO rules are no longer satisfactory. The most recent were negotiated during the Uruguay Round between 1986 and 1993, at a time when today's major emerging economies, especially China, were still secondary players in international trade, and rich countries had a strong comparative advantage in most sectors of heavy industry because developing countries were generally focused on agriculture, textiles and clothing. The upheavals of the comparative advantage structure that accompanied the new phase of globalization have upset this balance.

Rich countries are no longer in a dominant position in the heavy industry production sectors, although they retain considerable advantages. A significant part of their comparative advantage now lies in the services, patents and technologies of multinationals. The case of the United States is particularly striking (the European situation is more balanced): in 2018, their trade in goods had a deficit of \$ 891 billion, but the trade in services was in excess of \$ 269 billion, and their net income of foreign investment was \$ 258 billion<sup>557</sup>.

Therefore, the agreements that once seemed balanced for the Americans, now seem unfavorable to them, and the failure of all major multilateral trade negotiations since then means that they have not been significantly updated.

Unfortunately, the pandemic is likely to lead to a lasting economic crisis. Crises are generally a source of trade tensions, as they sharpen the constraints on each country, leaving less room for compromise acceptable to all. In addition, in this case, the very important support policies implemented by the states risk igniting these tensions, as their objectives will often be in opposition to each other, each trying to maintain its productive apparatus and market share at all costs.

The World Trade Organization is now weakened by an institutional and legitimacy crisis. Multilateral trade agreements now compete with bilateral or regional agreements that have multiplied over the past two decades. At the same time, the questioning of the rules on which the trading system is based is visible in protests against liberal globalization, especially in the United States and Europe. In such a tense situation, there is more need than ever for an exchange scheme based on unanimously accepted rules. In particular, WTO agreements need to be reformed to make the rules governing the use of industrial subsidies more operational and to redefine the special and differential treatment of developing countries so as to better reflect their heterogeneity.

Obviously, protectionism cannot solve the particularly complex and difficult problems posed by the effects of the Covid- 19 crisis on the international economy. It is necessary to achieve, as one can see from the increasingly alarming

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<sup>557</sup> Sebastian Jean - Director of CEPII. Paris: "The World Economy 2020".

accentuation of the political and economic contradictions between the two great power actors of the world, the USA and China, a reorientation towards multilateralism trade policies. The priority should be to reach a political agreement between the major trading powers on a coordinated response to the crisis. It could be based on strengthening the principles of transparency and deliberation, maintaining clarity and dialogue, common principles for adapting the trade rules to the health imperatives and on establishing red lines, such as avoiding the use of export restrictions and limiting the use of protectionist measures. The challenge will be to define a coherent package that can be considered favorable to all stakeholders, by avoiding disturbances and limiting uncertainty.

Unfortunately, we are still far from such a trend and political decision. The expression of this "distance" is the emergence of the term "mini-multilateralism", which would mean "a selective multilateralism"<sup>558</sup>.

Mini-multilateralism is, in reality, a disguised protectionism that practices the same criteria of non-tariff obstruction of political protectionism but tries to give the impression that "selectivity" would be a consequence of the obligations triggered by participating in an integrated economic structure with its own operating laws, such as the European Union.

The document: "European Council: Multilateral Cooperation for a Global Recovery", states:

"Multilateralism is not just a diplomatic technique, among other things, to address these issues. It shapes a world order, a very special way of organizing international relations, based on cooperation, the rule of law, collective action and common principles. Instead of pitting civilizations and values against each other, we need to build a more inclusive multilateralism that respects our common differences and values enshrined in the Universal Declaration of Human Rights"<sup>559</sup>.

### **THE EMERGENCE OF NON-PANDEMIC CRISES IN ROMANIA**

Even if the forecasts of the International Monetary Fund regarding Romania's economic growth in 2021 are extremely optimistic, no one is convinced that this year will be an easy one. Government programs to support the economy have many shortcomings in implementation, the number of unemployed could not be reduced, measures are expected to reduce public wages, the leu depreciates, the percentage of indebtedness and current account balance increases, especially the trade deficit. HoReCa is still blocked and the much-announced investments are still expected.

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<sup>558</sup> AH de Nicolay, *Le multilateralisme comme levier du protectionnisme*, Université Catholique de Louvain, [https://dial.uclouvain.be/memoire/ucl/fr/object/thesis%3A1767/datastream/PDF\\_01/view](https://dial.uclouvain.be/memoire/ucl/fr/object/thesis%3A1767/datastream/PDF_01/view).

<sup>559</sup> *European Council: Multilateral Cooperation for a Global Recovery*, Press release, 3.02.2020.

The economic crisis generated by the pandemic has become an accepted truism both at the level of government chancelleries, companies but also for the ordinary citizen. Everyone is waiting for this crisis, which is considered inevitable, and is taking steps to alleviate it. A lot of money has been pumped into the economies of developed countries, extremely ambitious investment programs have been created such as "Build Back Better" by President Joe Biden or "Tous anti-Covid" by President Emmanuel Macron.

The last period has brought new elements, of an extra-pandemic nature, able to lead us to a completely different analysis of the inevitable economic crisis.

There is no doubt about this inevitability. The crisis caused by the pandemic already exists and despite the optimism of some international financial institutions it will profoundly affect the state of the world economy and the life of the citizens. There will be not only major changes in the paradigm of the neoliberal model of the global economy but also changes in the balance of power between the world's major economic and political actors. The trade war between the USA and China is also beginning to have important political aspects, as the fight for world leadership between these two superpowers is generating tensions over the entire world. These tensions will surely have many "collateral victims" through the direct and indirect damage that many national economies, even the European Union, will suffer, as a result of the economic and political consequences of the US and China entering a state that some Western analysts define as "a cold war but with a tendency to warm up"<sup>560</sup>.

These elements will aggravate the pressure that the pandemic crisis will put on the state of the world economy, determining the extent and depth of the effects of the crisis not only on the economic field but also on the balance and stability of international relations. It is obvious that this process is manifested more intensely by the rapid inflammation of some problems that seemed to be if not solved, at least calmed or postponed.

We can see the worsening political and military situation in the Black Sea through the conflict between Ukraine and Russia, the tense situation in the China Sea, the Israel - Hamas conflict as well as the Iranian nuclear issue and the acceleration of North Korea's nuclear weapons.

The probability of an armed conflict raises an extremely sensitive issue for Romania because it has signed a military treaty with Ukraine. As a consequence, Romania could be drawn militarily into this conflict, which would be a national catastrophe by entering, de facto, into war with Russia, a destructive military power.

We do not take into account this lethal possibility for the Romanian nation, hoping that it will not reach casus belli, but neither can we hope for a calming of the spirits in the short term.

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<sup>560</sup> Yves Montenay, *China: the new war has begun*, "Counterpoints", 04.04.2021.

One of these situations has great chances to become an extremely important factor in triggering a crisis, other than the pandemic one, with more than dramatic effects on Romania. It is the factor determined by the situation in the Black Sea, namely the direct effect that the Ukrainian – Russian conflict may have on the Romanian economy.

According to Western military analysis, the tension in the Black Sea will be lasting, as Russia's interests in this area are geopolitical, much more strategically important than a "fight" with Ukraine in the Donbass area. Some experts think that Russia is using the conflict with Ukraine as a pretext to strengthen its long-term influence and military power in the Black Sea as a counterweight to the growing presence of NATO (Turkey, Romania, Bulgaria). Extremely important for Romania is the fact that the inflammation of the military situation in the immediate vicinity of its borders places us in a risky, unsafe, unpredictable and even dangerous position in terms of capital and foreign investment. The history of the economy shows that in such situations when a country is included, *volens - nolens*, in a region with real potential for military conflict, its economy loses any interest from foreign investors and becomes subject to a type of "economic quarantine" pending a possible resolution of the conflict. Referring to this type of situation, Zbigniew Brzezinski, a former special adviser on national security in the administration of President Jimmy Carter, said that the region was entering a very dangerous state of "economic lethargy"<sup>561</sup>. The state of war will also annihilate the chance of gas exploitation in the Black Sea.

Another factor that can precipitate Romanian economy into a crisis, even harder than the pandemic one, is the fact that since the agreement between the European leaders in July 2020, the incentive package is not yet in force. The project has stalled following a complaint to the German Constitutional Court.

Already criticized for its slow implementation, the European Union is now facing a stalemate from Germany, where the Constitutional Court suspended on March 25, 2021 the process of ratifying the "Next Generation EU" plan at the national level.

Adopted by the European Council of Heads of State in June 2020, this package worth 750 billion euros (390 billion in grants and 360 billion in loans) provides for the first time for the European Commission to borrow from the financial markets on behalf of the 27 Member States. However, there are still some technical formalities that need to be completed. In order to borrow this amount, the Commission needs all national parliaments to approve a ratification law, by which each Member State officially authorizes Europe to increase its own resources ceiling, which corresponds to an increase equivalent to 0.6 points of its gross national income, the ceiling increasing from 1.4% to 2% under the incentive package.

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<sup>561</sup> Zbigniew Brzezinski, *Out of control*, 1993.

This increase should serve as a guarantee for loans made in the markets and ensure that Europe will be able to maintain a balanced budget.

The new element that has intervened and that can block this whole plan is the emergence of a complaint coordinated by Bernard Lucwe, former founder of the far-right party Alternative for Germany, which was filed in the German Constitutional Court against this ratification law. The applicants' reasons are twofold.

First, the complaint highlights the inadequacy of the recovery plan with the German constitutional law. "EU debt means the Bundestag no longer controls its budgetary rights," says Lucwe. As the loan granted by the Commission is in the name of the 27 states, if one or more countries fail, Germany will be obliged to pay the difference.

Second, the applicants claim that the recovery plan is incompatible with the European law. On the one hand, they argue, the use of debt is a breach of the European treaties which require a balanced budget. In this case, can a debt be considered a real resource? On the other hand, the legal basis of the incentive package is being challenged. The latter is structured around Article 122 of the Treaty on the Functioning of the EU (TFEU), which essentially allows for the establishment of solidarity mechanisms between Member States in the event of an exceptional situation, a category in which the pandemic can fall. But the question is whether the economic stimulus measures are really only intended to overcome the immediate consequences of Covid, as they consist mainly of investments in energy and the digital transition.

The answers to these legal questions with serious consequences for the Union are now in the hands of the German Constitutional Court.

A date has not yet been set for the decision of the German Constitutional Court. But one thing is sure, this obstacle is slowing down the implementation of the European recovery plan and of the first payments, which were not already planned by summer. And which Europe, mired in an economic and health crisis, would need as soon as possible.

In the post-pandemic period, two elements are vital for the relaunch of the Romanian economy: first, the increasingly active participation with an increase in competitiveness on the world and European market by attracting foreign capital for investments, job creation and access to specific modern technologies needed for phase 4.0 of the industrial revolution; secondly, the rapid and efficient attraction of European funds through the National Recovery and Resilience Plan.

Without these two structural and financial inputs, Romania cannot cope with the crisis without an even more dangerous increase in the debt ratio.

The position of the country in the Black Sea conflict area and the delay or even loss of PNRR funds can trigger a much stronger crisis than the one generated by the pandemic.

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