

DEFENSE AND SECURITY EFFECTS OF THE ECONOMIC CRISIS

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Following the end of the Cold War and the events at the beginning of the 21st century, the nature of the threats to national security has changed, the single arch-enemy being replaced by a multitude of shifting, sometimes faceless and unpredictable enemies in the form of terrorism, ethnic and religious disputes, trans-national crime etc. Since 2008, a new aspect has been added to the national security and defense, in the form of the negative effects the current economic crisis may have upon these areas.

Key words: *economy, crisis, effects, security, defense*

1. THE ISSUE OF THE ECONOMIC CRISIS

Following the end of the end of the Cold War it appeared that the world was heading towards a brighter future, with the risk of a deadly confrontation between the two rival blocks diminished and the prospect of state cooperation and development. Since then the NATO countries have been faced, individually or as an alliance, with multiple crises and challenges which have transformed the way the areas of security and defense are approached.

The events of 11 September 2001 have outlined the changes in the perceived threats to national and international security, generating

the first appeal to the article 5 of the Washington Treaty since NATO's creation, a dramatic shift in the way national defense is perceived and the change in NATO's role and missions. Following these events, the nature of the threats to national security has changed, the single arch-enemy being replaced by a multitude of shifting, sometimes faceless and unpredictable enemies in the form of terrorism, ethnic and religious disputes, trans-national crime, etc.

The traditional view of the defense community regarding the link between economy and defense has sometimes been a rather simplified one, in the sense that the economy was supposed to support the needs of the defense sector through the defense

budget, while some of the activities in the defense area might contribute to the economic development (such as the activities of the national defense industry or potential offset contracts).

This view has been challenged since 2008 as the world and, implicitly, the NATO countries have been faced with the effects of the most serious economic crisis the world has faced since the great depression in the 1930s.

The term economic crisis refers to

“a situation in which the economy of a country experiences a sudden downturn brought on by a financial crisis”...with the most likely effects being “a falling GDP, a drying up of liquidity and rising/falling prices due to inflation/deflation.” [1]

Referring to the economic crisis, the economists make a distinction between economic recession and depression. The recession is considered the less serious crisis characterized by a decline in a country's GDP, increase in unemployment and reduced demand, lasting for a relatively short period of time - one year.

On the other hand, the economic depression is an event with more serious effects and lasting for a longer period of time, sometimes several years. The characteristics of an economic depression (as the one triggered by the financial crisis in 2008) include a fall in the GDP lasting

for more than 1 year, with negative consequences on the purchasing power of the population generated by reduced wages, followed by a reduced demand and subsequent bankruptcies as the companies see their sales drop. This, in turn, leads to a significant increase in unemployment (generated both through the reduced activity of the business sector but also by the need to cut government expenses). The economic problems are amplified by the contraction of the credit and investment availability, as the general mood of the capital owners is one of caution and aversion to risk and by the decrease in the volume of the international trade and high volatility of the currencies.

2. THE DEFENSE AND SECURITY EFFECTS OF THE ECONOMIC CRISIS

The fall in the GDP, combined with the need to drastically reduce the government expenditures in order to avoid credit defaults has led in many countries to the reduction of defense budgets as the most obvious effect of the economic problems on the security and defense area.

The reduced defense expenditures may have a combined negative effect both at the level of the Alliance and at national level. At NATO level, the member contributions - both direct and indirect - to the NATO common resources may be negatively affected,

as countries may be more reluctant to devote scarce resources to allied missions.

At national level, a short term negative impact of reduced expenditures refers to the national defense capabilities, as the diminished defense budgets determine the military decision makers to take some difficult decisions as to where to allocate the scarce resources. Certain acquisitions of new technologies (especially those of complex or high value weapon systems, such as fighter planes) may have to be postponed or even cancelled due to lack of funds. In certain situations, further measures need to be undertaken, by attempting to prioritize (and reduce) the maintenance and personnel expenses, up to potential downsizing measures of the armed forces.

According to the data published by the European Defense Agency, 16 of the 26 EDA participating Member States have decreased their investment expenses (more exactly equipment procurement and R&D), with an overall decrease from 42 billion EUR in 2008 to 41 million EUR in 2009.[2] In Romania's case, this decrease has been even more significant, from 351 million EUR in 2008 to 152 million EUR in 2009, meaning a percentage decrease of 57%, while the biggest reduction in investment expenses has been experienced by Latvia, -75% [3].

Similarly, over the same period, 15 of the 26 EDA participating Member States have decreased their operating and maintenance expenses, with percentages varying from -56% Bulgaria, -41% Romania to -3% Poland.

While some countries, including Romania, chose to decrease the investment, as well the operating and maintenance expenses while maintaining the number of military personnel, other countries responded to the effects of crisis in a different way. Thus, France decreased the military personnel by 30% while increasing the operating and maintenance expenses by 3% and the investment expenses by 11%. Poland decreased the military personnel by 24%, decreased the operating and maintenance expenses by 3% and increased the investment expenses by 22% [4].

Besides the most obvious and direct effects on military budgets, the economic crisis generates other indirect effects, such as a decrease in the demand for the products of the national defense industries, a sharpening of the international competition between armaments manufacturers and a decrease in activity or even bankruptcies for the less competitive. These negative effects would not be confined only to the weapons manufacturers, as other defense contractors, from textiles to electronic components, would see

their business activities slow down due to reduced or cancelled orders from the military.

In this respect, the governments face a difficult choice between protecting strategic national producers and potential negative economic effects of spending even more of the already scarce resources on defense-related areas, in the context of the public debt crisis facing many of the EU countries, amplified by the spectrum of a sovereign debt crisis hanging over some countries such as Greece, Ireland, Spain, Portugal. Both of the circumstances may eventually prove to be a threat to the national security, so the choice is a very difficult one.

Ensuring the necessary level of defense capabilities may be even more difficult as the civil society, faced with increasing economic problems and loss of social safety nets may increasingly question the immediate role and results of defense expenditures when compared to more pressing economic and social problems.

One of the characteristics of an economic depression is unemployment, generated by the decreased economic activity. A high level of unemployment may pose problems in relation to the national security of a country; besides the economic effects of decreased demand for goods and services, lack of revenues for the state from taxes

on revenue and the taxes on sales such as VAT, high unemployment has also negative social effects.

Even for the people still employed, the low level of wages (or low level of wage increase), the increased competition on the workforce market, the general decrease in the standard of living, the high level of uncertainty regarding the evolution of the economy, lack of hope for improvement may lead to serious social problems. These are amplified by the government's measures of fiscal consolidation (cut in government expenses, increased taxation etc) in an attempt to counter the public debt crisis, the lack of availability of credit, both to the population and the companies.

The need to control government expenditures is many times reflected in the diminishing of the social expenses, leading to the decrease or even disappearance of social safety nets. Coupled with the obligations to repay the public debt, these measures often lead to discontent from the population which perceives that it has to pay debts which does not concern them, in a general environment of economic and political uncertainty, artificially enhanced sometimes by a media in search of sensational headlines. This discontent, combined with a lack of trust in government and economic authorities may lead to strikes, revolts and other types of sometimes unexpected outburst

of social unrest, such as was the case with the recent revolts in the Middle East (generated partly by economic factors) and even the events in developed countries such as the United Kingdom, with countries with already reduced social spending being at the highest risk.

The high unemployment and reduced social expenditures may be accompanied by a reduction on education expenses. Even if such a measure may seem a good solution to cut costs on short term, on medium and long term it could prove extremely harmful, both to the country's economy and security. An uneducated workforce would be less productive, while at the same time more vulnerable to extremist ideas and actions, leading to additional issues on long term.

Another indirect social effect of the economic crisis with influence on the national security relates to the potential increase in crime, both at national and transnational level, trafficking of goods and persons, accompanied by immigration problems, as many people are determined to leave their home due to economic problems and to seek job opportunities in other countries. Given the fact that the economic crisis effects are not confined to the borders of a single country, the immigrants in search of employment may enter into competition with the local population, leading to an

increase in the resentment towards immigrants, followed by social unrests and an increased vulnerability to involvement in terrorist and criminal activities.

3. CONCLUSIONS

Finding the most appropriate ways to deal with the effects of the economic crisis in such a way as to achieve a proper balance between the need to stabilize the economy and the need to maintain the required defense capability and avoid additional national security problems is a challenging issue for any government.

However, despite the difficulty of the task, by careful prioritization of the requirements, an increased emphasis on cost-effectiveness of the government spending and avoidance of "tunnel vision" management (focusing just on one area, such as economy, and disregarding the potential implications on other areas such as defense and security) the effects of the economics can be, if not avoided, at least minimized and overcome.

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