

THE ECONOMIC DIMENSION OF SECURITY IN SOUTHEAST EUROPE (SEE)

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It is widely accepted that stability offers countries a greater capacity to cooperate and be preoccupied by the economic prosperity of their citizens. Cooperation stimulates economic prosperity and decreases the chances of conflict. This means more business and consequently more money¹. And that because prosperity, employment and profit in one area of the world are dependent on economic developments in other parts of the world. The same situation we find with the opposite, when economic underdevelopment, corrupt banking practices and unrealistic monetary alignments affect faraway societies².

Today it is almost unanimously recognized that security has a multidimensional aspect. If during the Cold War security had only a military-political component, today it has gained new dimensions: social, environmental, educational and economic³. These are reunited under the non-military aspects of security and comprise everything from macroeconomic stability to environmental health. The result is clear: where there is harmony and well being, chances for conflict eruption are lower and the gain is exclusive financial and economic. The exploitation of economic interests has favorable consequences for all parties involved. Even in cases of more modest economic levels cooperation can work wonders⁴.

The economic factor has become to be considered of primary importance also by the military alliances and the international organizations. For example, NATO – mainly a military alliance, regards economy as a very important factor when discussing accession with

its partner countries. Disregarding speculations according to which NATO expansion would weaken the alliance, it is actually true that military cooperation cannot be satisfied except with strong economic potential. This is also related to the non-traditional security threats that are more and more frequent today, thus replacing the traditional ones like external armed attack.

Therefore, the expansion of NATO started with those countries whose potential was very strong and well exploited and which could grant guarantees regarding regional security by addressing non-traditional threats (internal inter-ethnic or trans-border conflict, corruption, organized crime, environmental hazards, etc.). In this respect the US know that the EU is an institution far more attractive from an economic point of view than NATO. Thus, the EU has taken leadership among the preferences of citizens from aspirant countries. The danger of competition between the US and Europe arises again and the US need to be prepared to address that competition economically and not just militarily. But the battle among the Europeans and the Americans over who should “rule” Europe is about to move in the economic realm of military security.

Along this line of thought, Europe started to build its own defense and security identity (ESDI) separate from US interests in Europe, including an elaborate pan-European defense system as a significant part. Thus, Europe applies economics (one of its strongest points) in the military security (one of its weakest point). The merger of 1999 between German DASA and

French Aerospatiale which resulted in EADS (European Aeronautic, Defense and Space Company), a European alliance closed to the American market, is considered to be a landmark for the establishment of ESDI. Thus, military aeronautics becomes a new battlefield between Europe and the US over supremacy in Europe. The US were not indifferent in front of those regroupings among European companies. In order to stay in business the Americans encourage the development of liaisons between European and American firms. In this respect, in 1999, the US applied the "globalization strategy" which stipulates the relaxation of American legislation in the field of hi-tech transfers. The American market hereby opens its doors to the military sector⁵. It goes without saying that Washington encourages transatlantic partnerships, rather than intra-European ones.

The above mentioned merger was still an economic one primarily. But things cannot be regarded entirely separately in today's world. An economic event of such magnitude enables the EU to take a leading position in terms of security and defense. The EU may become an equal competitor to the US and not just a mere subcontractor⁶. The irony is that although this ESDI consolidation project, of forming an exclusively European defense system, was started by a French-British initiative through a public statement in December of 1998⁷, the UK and British Aerospace (BAE) respectively, were left out. This leaves the British in position to rally with the Americans in what the aeronautic defense industry is concerned⁸.

One aspect worth discussing when talking about the economic dimension of security is the change in the nature of the "economic integration" term, which has gained new meanings in the specialty literature⁹. The first of those meanings refers to the interdependence between the industrial economic sectors and the horizontal and vertical industrial integration, aspect that can be limited to the national level. The second meaning refers to uniting economies through free trade areas, common markets, cooperation agreements, bi- and multilateral treaties, aspect that can be extended to the bilateral, regional and international levels. The first concept is strictly economic, while the

second is also political¹⁰. Where does then security fit in this context?

The sudden change that happened in the world order in 1989 has totally modified the structure of the European states system and intensified the relationship between military security and economy bringing about new cooperation possibilities in the military and economic realms, as well as recalibrate the national economies to fit the new security configuration². This does not mean Europe has been completely united by the end of the Cold War. The continent still continues to be divided by differences in GDP/capita and by the very differentiated level of institutional and economic reform¹¹.

The economy-security dilemma is dependent upon four variables as described by Sperling and Kirchner¹². The fear of exploitation, the subjectivity of decision-making factors in what national interest is concerned, the tendency to spend more on armament with the purpose of reducing security risks – when in fact those can be reduced by other means – and finally the offensive-defensive balance. Some authors argue that defensive is more beneficial because it diminishes the possibility of armed conflicts. Of course that in the end, there comes the question of allocation of national resources between economic welfare and national security, or between what is called in the Anglo-American literature, between "guns and butter". This is however, determined by the production capability of a country and the preferences of a society. In the U.S. for example, many polls show that the population is equally willing to have a military secure environment, as well as an arms-free, economically prosperous environment for the next generations. The U.S. is an example in which both possibilities are equally desired and possible¹³. But there are countries, even in Western Europe, which cannot strike such a balance between "guns and butter". Those countries need to opt in favor of one or the other, situation that may at some point disrupt the global security system.

The EU, although similar in many respects with the US, differs fundamentally through that the member countries are less willing to let go of national pride, historic collective memories and the identities they gained fighting one another.

These still greatly influence them in the decisions they are making¹⁴. In 1993, after the entering in force of the Maastricht Treaty, amidst Balkans at war, it became clear that although the walls in Europe have fallen some things will not change, at least for a while. The concept of Europe has always referred to economic prosperity. This prosperity makes Europe stay an exclusive club in relation to the less wealthy Eastern countries. Nevertheless, the EU member countries have come to realize that supporting distress economies – although with many conditions and strings attached – is the only way the union can become a strong institution subordinated to powerful democratic values.

The Yugoslav crisis has clearly slowed down the process of European integration and at the same time has raised new question to the European leaders, questions that in other circumstances they may have never raised themselves. Some of those questions refer to the relation between economic prosperity and multiethnic understanding, to the power of historical grievances and collective memories and their impact on internal state dynamics, to the nation-state and its current limits, and the list may go on.

From the perspective of those questions united Europe is not the best example for the new democracies. But as a product of the Cold War and of the political circumstances of the past 50 years, former enemies who, driven by common economic interests, have learned to overcome their differences and work together built united

Europe. That is why the future has all chances of becoming defined by economic cooperation, as a means of thwarting conflict, rather than by the well-known classical military intervention.

As mentioned already, in light of events that took place in SEE over the past 10 years, in their great majority tragic events, security has become a complex, multidimensional notion encompassing political, military, social, environmental, educational and last but not least economic. Today the new security threats are less and less defined by traditional external armed attack. The non-traditional threats arise from inside a state and can have dramatic effects on regional stability. Economic degradation, environmental hazards, organized crime and corruption, the refugee crisis are the most important factors that have shattered SEE as a result of ethnic and religious conflicts.

Economics have become with no doubt the most challenging aspect of the new security system. The Kosovo crisis and the global situation in the Balkans shed a new light on the importance of economic development and prosperity for the countries in Central and Southeast Europe (CSEE). The economic aspect of security in the area can be seen from 2 perspectives: that of the past and present – hereby discussing the macro-and micro-economic aspects, and that of the future – hereby discussing the potential of cooperation programs and post-conflict reconstruction.

II. MACRO – AND MICRO-ECONOMIC CONCERNS IN SEE

It is widely admitted today that the discrepancies between the desires and the clarity of the European integration process have been extremely wide on both the part of the member countries and of the candidates¹⁵. Recent data reveals major differences in the economic indicators of the candidate countries from CE and SEE to the EU. This seriously prevents the EU from regarding the region as a compact entity. The region is rather formed by individual and distinct cases. Geography is an important aspect to be discussed here. European geopolitics plays an important role in defining the integration purposes of the candidate countries

and in justifying enlargement on behalf of the member countries¹⁶.

From strictly an economic point of view and from the development stage perspective it is useful to divide SEE in smaller sub-areas, like the Occidental and the Oriental Balkans. The first sub-area characterizes the countries of former Yugoslavia, countries torn either by war or severe ethnic tension and who need emergency assistance. The second sub-area refers to Romania and Bulgaria, countries that have stayed out of armed or violent conflict but have suffered a great deal of collateral damage and a different kind of assistance. SEE is a region whose geographical layout has encouraged the

development of a variety of cultural and religious communities and implicitly conflict among them. In order not to overlook significant regional aspects, it may therefore be wise that for the global state of affairs to regard SEE as a whole and not as an entanglement of sub-regions and disrupted states.

Transition is a complex process with many interdependent variables: social, psychological, political, and obviously economic. That is why when we talk about macroeconomics we need to bear in mind 4 essential aspects³: a. the first one deals with the macroeconomic overview of performance, including an analysis of passive transformation of recession to active transition, a look at the rising disparities between the CSEE countries, the influence of foreign direct investment (FDI) and the evolution of "the catching up with the EU" process, which is a task for the decades to come. A first conclusion to be drawn from such an analysis brings us to the fact that only a very small number of countries from CSEE will become EU members in the near future; the rest would probably need up to half a century to catch up; b. the second aspect is the integration into the international division of labor, including trade reorientation, de-industrialization, de-agrarization, technical upgrade, competitive unit labor costs and sharp drop of employment; c. the third aspect refers to the EU accession process taking into account the gap between vision and unsolved problems of the present. In order to tackle such an issue one needs to realize that the institutional structure of the EU is a problem sometimes higher than the economic issues; d. the fourth and last aspect of this approach refers to the costs of Europe vs. non-Europe which show that not moving toward achieving a united Europe would end up costing much more than working toward achieving a united one. The problem here lies in the political nature of the integration process, as the enlargement of Europe will produce, on short-term, relative winners and losers. Thus, one would need to look at the political argument, as the losers resulting from this process in the short run would have to be compensated in order to gain their political support.

The globalization of the economy, in other words the process that leads to the integration of intermediary and final products, is oftentimes

regarded as decisive in determining public policies and business strategies¹⁷. But the levels of economic integration can be regarded also from a national level. In this case they refer to indicators related to institutions and the restrictions those pose in front of economic flow, as well as to the indicators related to the final results of economic processes at institutional or firm levels. The first show the readiness and the potential for integration, while the second show the relationship between trade and GDP¹⁸.

The misunderstandings regarding the macroeconomic aspect of integration and implicitly of security appears due to the fact that macroeconomic indicators do not reflect directly the quality and level of life. We may then ask ourselves why keep using macroeconomic analysis? Although those indicators do not directly reflect the standard of living, they do reflect a correlation between economic efficiency and some aspects linked to the quality of life such as the education and the health system, the environment, etc.

From the microeconomic point of view one can discuss European integration from the perspective of economic flows. According to this approach SEE is not an economically compact region because economic flows do not take place between countries of the region but to and from the region in various directions. This shows that European integration must become a long-term and individual process according to each country in part. The specific integration models we see are the consequence of multilateral and distinct answers to crisis.

As opposed to the military and political dimensions of security, the economic dimension has benefited in time of a more modest attention on behalf of the international community. The economic aspects of security limited themselves to migration reduction, limited assistance for infrastructure reconstruction, restrictive conditions for loans, limited foreign investment, minimal exports and imports.

This dimension has become a priority only in the recent past. In short, one can say that the main economic problems that influence communication between East and West are "commerce, foreign investment, mobility of labor force and foreign assistance"¹⁹. The microeconomic side of integration includes 3

important aspects. The first two account for the distant and more recent past, while the third looks at the future. The first aspect is the end of the dependency rate and it regards points like legal vs. illegal migration and the changing nature of long-term loans and assistance from the unconditional format to the “strings attached” one. Before 1989 some countries in the region benefited from extremely advantageous conditions for loans and barter agreements which helped them survive sometimes quite decently. Today we are witnessing new types of loans, with extremely difficult conditions regarding the reception, spending and destination of the money. Thus some countries in SEE ended up being less subsidized than during the Cold War having to deal with economic difficulties by themselves independently of external factors. In the past 10 years SEE was overwhelmed by a multitude of initiatives some of which have not even been activated. The idea for the future is that intentions must move to action plans rather than remain in the area of signatures and declaration with even less chances of being applied. Based on past experience and the prospect of the future, the Stability Pact can become an instrument to change the ad hoc emergency assistance policies in the region into a long-term strategic investment tool.

The second aspect, the closure of Europe, is a consequence of war and conflict and has to do, among others, with the “unfair” nature of economic sanctions. This aspect affects SEE at the microeconomic level through mobility restrictions of human (migration) or economic nature (sanctions). Migration is another phenomenon that has significantly changed after the fall of the bipolar world. Today the legal

transfer of work force is being done restrictively, thus reducing the legal form of migration in favor of its illegal form. Actually the closure of Europe in what the Balkans are concerned is the consequence of war and conflict, as well as a collateral damage linked to the “incorrect” nature of economic sanctions. A key factor for opening Europe is opening Serbia, because without Serbia, a profitable economic flow is inconceivable.

Regarding the 2 aspects described above, Daniel Daianu explains that Eastern Europe might be regarded as a threat to Western Europe due to the cheap working force and due to the fact that labor force migration could become a constant migration that would disturb the domestic market in the West²⁰. On the other hand, the cheap labor force from the East could also disturb the weaker sectors in the EU thus justifying protectionism in the West²¹.

The third and last aspect consists of working with the family and underlines the importance of the family as both the target and the matrix of criminal organizations but with no doubt a valuable capital in the Balkans. The family is a basic economic unit and it is the only one that has not been totally destroyed by conflicts. At the same time the family needs to be targeted by the Stability Pact as the only reliable economic unit, and therefore must determine a grass-roots approach to economics in the region. Thus, the three “S” can be achieved: security, stability and safety. In close connection with the “safety net”, lies the refugee resettlement problem. Those need not be forced to return home before they have had the opportunity to reconstruct the lost capital in order to obtain the material assurance of their return.

III. ECONOMIC SANCTIONS VS. POST-CONFLICT RECONSTRUCTION IN SEE

Europe and the West in general have invested enormously in the Balkans both in troops and money. But these alone do not account for long-term, successful post-conflict reconstruction. That is why the Stability Pact for SEE was initiated. This endeavor represents Europe’s commitment to SEE and especially to the areas devastated by armed conflict and its consequences. Discussions around mismanagement, responsibility, blame and the effects of economic sanctions – which in fact

cause more suffering through their collateral effects – can be counteracted through immediate concrete actions.

But first it is important to analyze international conflict related to economic sanctions. These have been used with a very high frequency from 1990 onwards and although they are accompanied by the perception that they are punitive they rarely attain their true purpose²².

However they do represent an important aspect of economic security.

But, economic sanctions and embargoes are also a serious issue as they have hurt through collateral damage more people than all WMD in the history of the world²³. Economic sanctions imposed on Belgrade following the Serbian aggression in Kosovo have blocked major commercial routes and have brought tremendous losses to the neighboring countries. More so the Serbian people have been placed under huge restrictions while Slobodan Milosevici, the one initially targeted by the embargo, remained in power for an unacceptable length of time defying the international community, running for office and contesting the democratic election results in the fall of 2000. In other cases economic sanctions have been totally absurd, like the one imposed on FYROM by Greece in 1994 that brought the country on the verge of economic collapse.

Economic sanctions have created great internal problems in the states they have been oriented towards, oftentimes degrading the human rights situation even more and affecting the most disadvantaged categories, women, children and those dependent on the safety-net provided by the humanitarian agencies²⁴. Those consequences have played many times against the political benefits they were intended to attain. The conclusion has been reached that economic sanctions can be justified only if they produce a certain amount of difficulties or suffering but do not lead directly to the loss of human lives.

There are 3 areas in which redefining economic sanctions is being discussed: their authority, efficiency and morality²⁵. The authority of sanctions refers to the necessity of the UN Security Council's endorsement without which those measures would be illegal. The UN imposes such sanctions with the purpose of punishing general violations of international norms. Under those conditions the efficiency of sanctions is implicitly not very high. Other sanctions that do not abide by UN norms may function in a different manner but rely on the assumption that one or more states consider another state guilty of an illegal form of action.

A study of the Institute of World Economy shows that economic sanctions have a global success rate of 34%²⁶. Their efficiency on the other hand, does not refer only to the success sanctions have in attaining their purpose. The

economic sanctions imposed on FRY by the EU and the US have, in a way, reached their purpose, namely the democratization of Yugoslavia and consequently of Serbia. However, this process was not a timely one and moreover was not a direct consequence of those sanctions. Slobodan Milosevici was driven out of power by the pressure of the will of the people and not due to the sanctions. In fact the above mentioned study also states that economic sanctions rarely manage to achieve major political objectives like removing a dictator. That is why it would be ideal if the state or the institution placing a sanction would also have clear standards of lifting it.

In 1994 when the Milosevici regime took measures for removing the Bosnian Serbs it was rewarded with an easing of the sanction regime imposed by the UN, thus stopping the war in Bosnia. This was a clear case of realistic conditioning and expectation horizon. In opposition with this last case, in Iraq the UN has adopted a much more rigid position that was conditioning the lifting of sanctions by the removal of Saddam Hussein, which of course was never likely to happen. In both cases the collateral effects of sanctions had damaging consequences on the population of the respective territories rather than on the targeted leaders.

This brings us to the issue of morality in what sanctions are concerned. The sanctions have brought major prejudice to the "safety net", affected disadvantaged categories, encouraged internal displacement and accentuated the refugee crisis, in other words caused damage similar to war. The humanitarian impact of sanctions became a morality issue. The authority imposing the sanction needs to be aware it holds the responsibility of ensuring civil immunity²⁷. Thus sanctions may be targeted against those who are directly responsible of violating certain norms. These may be financial-banking sanctions, movement restriction, military embargoes, etc. For this to be successful it is absolutely necessary to have a multilateral coordination between financial and legal experts and institutions when elaborating the content of sanctions.

In this context it is therefore necessary to take a different approach in sanctioning dictators that in fact do not represent their people, but themselves or a small group of interests. In the future sanctions should concentrate more on military aspects rather than on economic ones

and would thus lift some of the burden that is usually placed on common people's shoulders²⁸. Sanctions will need a redefinition of the framework they are imposed in and an evaluation of their necessity in order to make them clearer in expressing diplomatic and political disagreement vis-a-vis forms of inadequate behavior on behalf of states. Actually, economic sanctions have oftentimes been used by the diplomatic community to demonstrate that it does "something" for the punishment of those who step outside the international legal system. This has been done due the fact that other more effective or creative methods were lacking, while the collateral disastrous consequences of the sanctions failed to be thoroughly evaluated. Redefining economic sanctions as an integral part of European and international crisis management is essential for the years to come.

The modalities of implementing post-conflict reconstruction strategies are, among others, the promotion of regional cooperation, the creation of an adequate environment for economic progress and the opening of the EU market for Balkan trade. Last but not least technology is extremely important, as global

instant communication is indispensable to multilateral cooperation. As far as the reconstruction strategies and their application are concerned, Daniel Daianu draws attention on certain realities and premises on which those should be based upon²⁹. The author says that for those measures to be successful and determine the population to confidently look at the future it is necessary: to create a positive expectation horizon; for those expectations to materialize plans must be credible and tangible; to have the strategy coordinated by the main financiers; to grant substantial credits for avoiding the continuous debt of the SEE countries; assistance must be concentrated on the development plans and the plans must contain major infrastructure projects which should facilitate connecting SEE to Western Europe; the strategy must take into account prevention measures against social and institutional peril like corruption, organized crime, etc³⁰. Along the same line of thought with other authors, Daianu believes that it is absolutely necessary to include Serbia and FRY in the circuit for a real reconstruction and have a significant part of the financial aid oriented toward them.

IV. SECURITY REDEFINED

It is with no doubt that security is both the incentive and the determinant of security. Democracy is a complex process and political democratization is an oftentimes difficult endeavor in opening the door to peace and stability. That is why economics alone cannot accomplish the heavy task of achieving prosperity. It does not and it cannot act alone but in close connection with other factors of political, social, societal and environmental nature. Of those, the political factor is of utmost importance. SEE and the Balkans in particular have been many times associated with the countries of Southeast Asia known as the "Asian tigers". The economy of those countries has boomed in the past 20 years, but one can also find here non-democratic values like institutionalized corruption and constant violation of human rights. And that is not something we want in Europe, not after we have worked so hard to pull it together. That is why politics matters and economics need to work in close relationship with it.

In attempting to offer an economic definition to security we can identify 3 aspects in which economics influence the transformation of the nation-state and the national security policy of a state³¹: the first refers to the instrumental relationship between military expenditure, economic growth and national security; the second refers to the link between the opening of national economy and the erosion of national autonomy (including here the high levels of commerce, monetary interdependence and financial integration); the last aspect refers to the connection between macro-economic policy and national security policy (budget deficits and payment incapacity are direct threats to national security). Having in view the multitude of factors involved, one can notice that it is difficult to construct a definition of security from an economic point of view. Among others, the difficulty is enhanced by the fact that the nation-state's responsibilities in the economic realm are less clear than in the military and political ones.

Due to these aspects there are many economic definitions of security.

It is essential to keep 3 aspects in mind when we speak about the economic aspects of security³²: economic security reflects a worry on behalf of the state in what the capacity to protect the social and economic structures of a society is concerned; this type of security also implies the ability of a state to act as an efficient guarantor for social integrity; and last, economic security shows the capacity of a state to cooperate with other states and to ensure a stable international

economic environment. Having in view that economic security is not as precise as the military one, and economic threats are not as well structured as the military ones, economic security is oftentimes regarded as an annex to the military and political one³³. In order to better conceptualize this definition, it is necessary to redefine the international economic system in such a manner as to enable it to create a stable and safe environment which, in turn, could contribute both to economic welfare and to interstate military and political cooperation.

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