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ECONOMIC RISKS TO NATIONAL SECURITY AND DEFENSE

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Abstract:

The main risk factors for the economic security are: the development of subterranean economy; the persistence of economic, financial and social problems generated by the extension of transition and the delay of structural reforms; the accentuation of corruption phenomena and a lack administration of public resources; the inefficient reactions of states' institutions in front of a stern economic criminality phenomena and the reactions of a perturbation of public order and security of the citizens. Foreign economic risk factors can be: blocking foreign credits; creation of insolvency; blocking access to sources of raw materials for making the national economy; blocking access to modern technologies; reduction of market access; economic globalization on a national fund unable to adapt; regionalization of tendentious; appropriate to adapt the economy (economic units, enterprises) to European requirements and market requirements; smuggling, illicit trafficking in goods, cross-border economic crimes.

Key words: risk, security, globalization, economy, integration.

1. Introduction

Changes in the international security environment in the last two decades, globalization and increasing interdependence of economies stronger countries of the world have led to the emergence of new threats to national security. Among multiple types of asymmetric threats, terrorist attacks, there is one method of attack with a strong impact on the economy of a country, compared to the resources used to plan and execute attacks. The economic impact of such terrorist attacks can be quite strong, especially on the short and medium environment, generating a series of direct and indirect costs.

Transformational shifts in our economic, environmental, geopolitical, societal and technological systems offer unparalleled opportunities, but the interconnections among them also imply enhanced systemic risks. Stakeholders from across business, government and civil society face an evolving imperative in understanding and managing emerging global risks which, by definition, respect no national boundaries.

The 21st century began abruptly and violently, through a political earthquake of planetary-scale terrorist attacks of 11 September 2001 which focused on symbolic targets for the democratic world and killed almost instantly, thousands of innocent civilians. These events were followed quickly by other criminal actions, in many parts of the world, triggering a process of deep transformation of the security environment and resulting consequences which affect the long-term, in-depth, and the international community.

According to these critics, scarcity of resources arises out of the relations of political economy with mechanisms of access, control, and struggle over resources. Indeed, some sociologists and political scientists believe the evidence shows that resource abundance has closer ties to environmentally-related violence than scarcity.

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Therefore, I consider inequitable access to resources and political oppression, rather than environmental scarcity, to be the primary driver of conflict. The reformists also worry about the association that arises between environmental security scholarship and the military security establishment.

2. General Overview / General Principles

2.1 Definition and types of risk

In general, political scientists, analysts and theorists from different fields tend to offer the same terms: danger, risk, threat, vulnerability, and considered them synonymous. I don't always bother confusion, but there are cases-documents and official talks or nationalization-the inadequate use of these terms can give rise to erroneous perceptions of the parties. To avoid such pitfalls, I believe that the notion of threat ask an author who made it, having a goal and an objective. The action is targeted on a topic obviously determined. In conclusion, I try to define the concept of *threat* as *a potential, expressed in words or gestures, which the author, purpose, goal and target defined.*

The danger is a distress event, a possible serious consequence. The risk is the possibility of having to face a danger. The vulnerability is the weak point, sensitivity of someone or something.

The Oxford English Dictionary definition of risk is as follows: 'a chance or possibility of danger, loss, injury or other adverse consequences' and the definition of at risk is 'exposed to danger'. In this context, risk is used to signify negative consequences. However, taking a risk can also result in a positive outcome. A third possibility is that risk is related to uncertainty of outcome. For the purposes of this discussion, *risk* is defined as "a condition in which there exists an exposure to adversity."¹

In addition, there is an expectation of what the outcome should look like. Therefore, **risk** is defined here as follows: a condition in which there exists a possibility of deviation from a desired outcome that is expected or hoped for. Potential risks that might occur in the future are not excluded.

According to risk factors represent those elements, situations or conditions, either domestic or external, which might affect the security of the country, generating adverse effects or affecting the fundamental national interests.

Vulnerabilities are defined as states of things, processes or phenomena in the domestic life, which diminish the capability of response to existing or potential risks or favour their emergence or development.

Risks can be classified according to the nature of the attributes of the risk, such as timescale for impact, and the nature of the impact and/or likely magnitude of the risk. They can also be classified according to the timescale of impact after the event occurs. The source of the risk can also be used as the basis of classification. In this case, a risk may be classified according to its origin, such as counterparty or credit risk.

A further way of classifying risks is to consider the nature of the impact. Some risks can cause detriment to the finances of the organization, whereas others will have an impact on the activities or the infrastructure. Further, risks may have an impact on the reputation of the organization or on its status and the way it is perceived in the marketplace.

¹ R. Gallati, "**Risk management and capital adequacy**" pg 3, McGraw-Hill Companies, 2003

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Individual organizations will decide on the risk classification system that suits them best, depending on the nature of the organization and its activities. Also, many risk management standards and frameworks suggest a specific risk classification system. If the organization adopts one of these standards, then it will tend to follow the classification system recommended.

The risk classification system that is selected should be fully relevant to the organization concerned. There is no universal classification system that fulfils the requirements of all organizations. It is likely that each risk will need to be classified in several ways in order to clearly understand its potential impact.

Risk may have positive or negative outcomes or may simply result in uncertainty. Therefore, risks may be considered to be related to an opportunity or a loss or the presence of uncertainty for an organization. Every risk has its own characteristics that require particular management or analysis. Risks can be divided into three categories:

- hazard (or pure) risks;
- control (or uncertainty) risks;
- opportunity (or speculative) risks.

There are certain risk events that can only result in negative outcomes. These risks are *hazard risks* or pure risks, and these may be thought of as operational or insurable risks. In general, organizations will have a tolerance of hazard risks and these needs to be managed within the levels of tolerance of the organization. A good example of a hazard risk faced by many organizations is that of theft.

Increasingly economic discrepancies, technological intensify discriminatory access to education, health and protection of the vital resources of life, to information and knowledge, causing serious social crisis. In conditions of globalization, economic and social crises are accompanied by identity crises, often generating violence.

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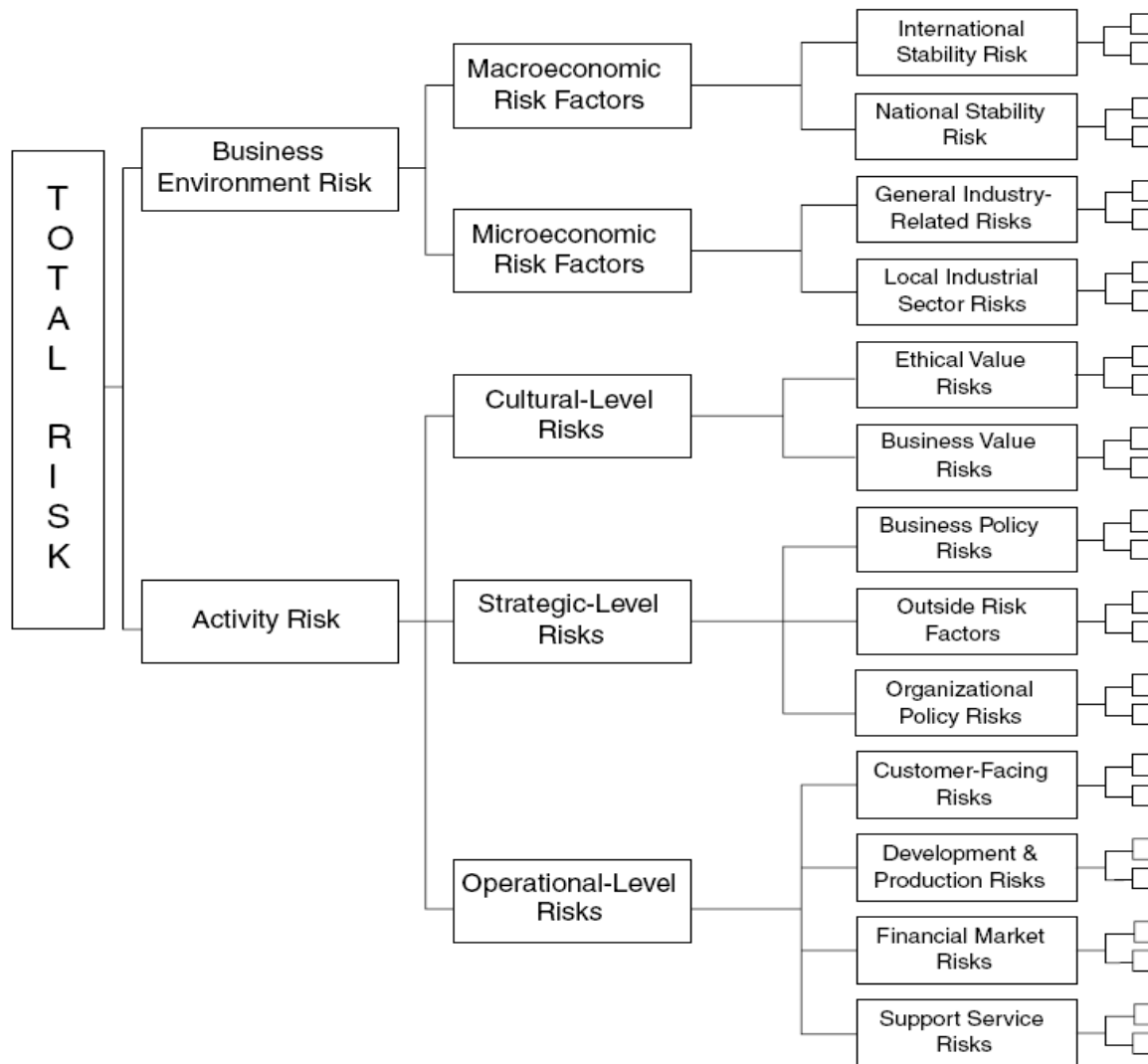


Fig.1 Risk Reference Matrix²

2.2 Definitions and risk factors to national security

What do we mean by national security? What *should* we mean? United States, in their national security policy of the 1980s, construed national security in classic terms—the defense of national territory and welfare against external threats, especially threats of military or quasi-military attack. In the post-Cold War 1990s, the field of environmental security studies led the Department of Defense, the State Department, NATO, and others to redefine U.S. national security interests to embrace threats from environmental degradation and chaos in foreign lands leading to migration, disruption of economic activities, and the like. Under the influence of this thinking, the official U.S. national security strategy moved to preventive security by taking measures "to prevent the conditions for conflict and help to create the conditions for peace."³

Security analysis has clearly moved beyond the traditional focus on inter-state conflict and military defense. This shift is a step in the right direction, but this section will argue that we need a much broader view of security to truly appreciate both the security challenges confronting us and their connection to sustainable development. To begin

² P. Hopkin, "Fundamentals of risk management", The Institute of Risk Management, 2010

³ Sanford E. Gaines- Sustainable Development and National Security 2006

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imagining a broader view of national security, we must consider the following two questions: (1) security for whom; and (2) security from what risks?

Security for whom? In the customary terms of the environmental security dialogue, the very term 'national security' implicitly answers that question by identifying the nation (or, in current parlance, the 'homeland') as the object to be secured. The term 'nation,' however, is at once an abstraction and a construct of a particular configuration of social organization that emerged only in recent centuries, so the question of security for whom remains relevant.

The security of individuals, however, is more than the disaggregation of the security of the nation. In the modern world one of the most important goals of national governments has become the provision of security for their citizens. The integration of economies and cultures that marks the world of the twenty-first century, along with the objective ecological integrity of the planet, makes obvious that any one nation's national security is considerably bound up with the security of other nations.

Finally, a full definition of security must include the notion of future opportunities and the ability to exercise national or personal choice to take advantage of such opportunities

In terms of environmental security analysis, opportunity goes hand in hand with access to environmental resources. For example, in many respects international law already contains the idea of equal access for all nations to the global commons, which some would argue is an "inalienable" right.

A broad conception of security, consistent with sustainable development would include an extension of a right of access and an equality of opportunity to all essential environmental resources and offer opportunities for personal and national development. Pursuit of this goal would simultaneously mitigate the social sources of environmental violence, which so frequently involve control of or restrictions on access to vital resources.

The System of National Security defines the assembly of means, regulations and institutions of the Romanian state that play a part in achieving, safeguarding, and asserting Romania's fundamental interests.

In my opinion, the most important of the challenges, tensions, dangers and even economic internal threats affecting the States are: destruction of national economic units; economic substance more or less disguised ethnic disputes; corruption; drug distribution networks; shadow economy; economic effects of actions and gangs of neighborhood networks; shortage of work places; the development of a true savings based inter alia on the prostitution networks; organised economic crime; money laundering.

In addition, we do not limit the range of risk to circumstances in the external environment. Many crises in the economy and the financial services industry happen because of problems within organizations.

The main risk factors for the economic security are: the development of subterranean economy; the persistence of economic, financial and social problems generated by the extension of transition and the delay of structural reforms; the accentuation of corruption phenomena and a lack administration of public resources; the inefficient reactions of states' institutions in front of a stern economic criminality phenomena and the reactions of a perturbation of public order and security of the citizen; to mention the sources and causes of a punctual conflicts with effects about diminution or interruption of processes and economic activities; the violation of ecologic standards into the functioning of industrial objectives; the possibility to produce ecologic disasters, calamities and degradation processes of the environment; a lack trust level of citizens in states' institutions as a result of indolence and extreme bureaucracy in administration system; maintaining at a low level the information infrastructure and postponing of its realization in accord with standards

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enforce by the evolution of globalization; the emigration of specialists from different important fields, phenomenon which affects the development potential of whole society.

A complex economic and social phenomena and it is of the utmost importance and tax evasion with which they are faced, and unintended consequences of which seeks to limit them as much as possible and eradication will be virtually impossible.

Depending on the place of manifestation, the intensity, the methods used, in contrast to the economic and fiscal legislation, but also with moral and societal tolerance, fraud may take certain forms, such as tax evasion, smuggling, or speculative, specific interpretations of certain provisions laid down by law for the purpose of avoiding, or avoiding taxation.

2. Economic risks and threats to national security and defense

Internally, Romania's security status today is still characterized by quite enough vulnerabilities in almost all areas of the social and economic environment, as well as in the natural environment of the Romanian society's existence. This situation is the direct result of the cumulative pressure, over time, of a number of multiple factors – political, economic, financial, social, cultural, military, and of different kinds – which have influenced the safe environment of the state and citizens, leading to the weakening of the moral, material standing, as well as that of spiritual values, on which the civilization of our national identity is based.

The enlargement of the spectrum of unconventional risks, the diversification of the types of crises and conflicts have been generating multiple challenges that require multi-directional reactions, based on mobility, diversity, coherence and complementarity both domestically and internationally.

2.1. Internal and external risk factors

In a market economy state of affairs of the participants is one of risk and uncertainty, generated by the competition that ensures progress and national prosperity. With all its imperfections, the market is the most efficient mechanism to reliably get productivity, production, distribution and consumption. To achieve them, the actors eliminate inefficiency. In this way, the insecurity generated by the market games is fertile ground for a substantial package of economic threats. They can take different forms. However, most of these cannot be considered threats to national security. The severity of the threats of an economic nature and the time when they become disruptive factors of national security cannot be established in advance by the policy makers. Political power is dependent on the economic status of the state and affects the relationships with other partners. The economic decline may be due to both internal causes such as managerial incompetence, and external causes such as the emergence of new economic powers rival. Historical records provide a endless list of powers on the rise or decline. The political and military implications, the relative economic growth of rival powers can be perceived as a threat to national security.

Another dimension of more recent concern is given by economic threats of internal stability in the conditions in which states seek economic strategies based on maximizing wealth through an expanded trade. These policies, in time, lead to high levels of dependence on trade, to support social structures created on the basis of general prosperity. Some countries specialize on the sale of raw materials and are dependent on this activity, others become industrial centers and depend on the supply of raw materials and sales markets. Threats may arise from a monopoly of resources, a situation that could affect national security.

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Internal economic risk factors expected are: internal degradation, inefficient, drastic decrease in production or undermining of branches of the national economy; the proliferation of underground economy; injury to the strategically important sectors (defense industry); insecurity of property; devaluation of national currency; weakening banking system or of weakening; the growth of the public debt; excessive borrowing of long-term population (increasing over the actual power of consumer credit repayment from the population); people's distrust in the banking system; unrealistic and inappropriate economic policy circumstances and exigencies of the moment.

The most common dangers and economic threats to the rule of law refers to: disturbing the national economy and increasing social insecurity; the massive migration of labor toward the countries of Western Europe, with all the consequences that flow from here; very large fluctuation of goods, persons and services; the proliferation of underground economy; economic and financial crime is high; social insecurity and uncertainty.

The gas crisis of 2008 due to disagreements with Russia and Ukraine had a strong impact on the whole of Europe and determined policy options and change the attitude of Ukraine's accession to NATO. We should not rule out the possibility of a split-off of Ukraine, divided by the heavily pro-Western vision of the West and the pro-Russian inhabitants of the eastern part of the country. The dispute related to the gas distribution network of Russia and Belarus, in June of 2010 demonstrates Russia's authority in his area of interest and revives supposed resources of regional powers with global pretensions.

Resource exhaustion to poor nations, in terms of maintaining high demographic growth rates and modest economic growth will cause large inflows, generating new sources of tension and conflict, the status of serious danger to stability and global peace. There is a direct link between democracy and economic and social development of a nation. There can be no democracy developed in a poor country.

The development can be found not only between North and South of Europe, between rich and poor countries. Such gaps have emerged even within the same state. The threats of an economic nature, which have become inadequate policies, risks can lead to conflicts not only of an economic nature. Economic threats may be considered as an attack on the security conditions, in which the action is consciously directed to causing material losses, pressure on the various institutions and even substantial harm to health and longevity of the population of the target state. For example, Romania is, in equal measure, the potential target of all threats to the NATO and the EU, noting that they have a direct effect on those generated in the vicinity of the geostrategic and geopolitical.

Foreign economic risk factors can be: blocking foreign credits; creation of insolvency; blocking access to sources of raw materials for making the national economy; blocking access to modern technologies; reduction of market access; economic globalization on a national fund unable to adapt; regionalization of tendentious; appropriate to adapt the economy (economic units, enterprises) to European requirements and market requirements; smuggling, illicit trafficking in goods, cross-border economic crimes, s.o.

The main sources of these challenges, dangers, risks and threats of an economic nature lies in the impossibility of harmonising all the components of your domain, in the difficulty of networking components, domestic and international factors, the complex realities, with sudden desfășurări and, therefore, different interests in the chaotic, but also the complexity of the sizing and resizing of some economic and social policies, realistic, concrete and effective long-term.

If we try to win the risks and threats of economic which affects national security we need a strategy of political-economic offensive through the conclusion of treaties as

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advantageous as part of alliances, which, at the same time ensuring a climate of proactive security.

From this perspective, as a result of research carried out, I consider the main threats that may endanger the fundamental values of democratic architecture of the Romanian State and its national interests, but also those arising from its membership of the European Community and NATO, are: regional conflicts, international terrorism, proliferation of weapons of mass destruction under the control of non-state entities, organized crime etc.

A coherent approach is needed, bringing together the energies of the society, to channel its resources towards building a high-performing economy, able to eliminate the situation of uncertainty and insecurity at the social level. Economic recovery should be strengthened through the creation of an attractive business environment and stable and proper connection to the major economic and financial flows, trade and technology.

2.2. Considerations regarding the black sea area

As a dynamic vector of democratic security, economic stability and prosperity, Romania has a fundamental strategic interest in seeing the wider Black Sea area stable, democratic and prosperous, tightly connected to the European and Euro-Atlantic structures. Subordinated to this interest, the strategic goal of our country is to give an impetus to the European and Euro-Atlantic involvement in the region. In this environment, it is increasingly evident that the interests and goals of security of states cannot be achieved only through international cooperation and solidarity, which will manifest itself in all the problematic context-economically, socially, financially-of the world today.

The Black Sea region is a main transit area for energy resources and, at the same time, an important place of asymmetric risks and hotbed of conflict, impacting greatly on the Euro-Atlantic security. Far from being considered a mere buffer or peripheral area, the Black Sea Region is a **connector of strategic importance**, situated on the corridor linking the Euro-Atlantic community (as a security provider and energy consumer) with the Middle East area – the Caspian region – Central Asia (as an energy provider and security consumer). From the energy point of view, the Black Sea region is the main transit area and, to a great extent, a source of energy that is consumed in Europe, while the forecasts speak of a substantial increase in its importance in the following decades.

The Black Sea region is Europe's richest and, probably, one of the densest parts in the world in terms of separatist conflicts, tense situations and disputes. The separatist conflicts in eastern Republic of Moldova, in the east and north of Georgia (Abkhazia and South Ossetia), in the west of Azerbaijan (Nagorno-Karabakh), in the south of the Russian Federation (Chechnya and other republics or autonomous regions in Northern Caucasus), and the new disputes over territory or borders between Russia and Ukraine, cause serious threats to the security of the region and run the danger that violent confrontations.

Maintaining a climate of instability in the sub-regional plan, with negative impact on the environment, the economic environment negatively Romania's ability to make decisions in a position to approach the economic and financial system characteristic of the democratic world.

The **economic dimension** will play a key role in the process of Black Sea cooperation. Romania will promote a pragmatic foreign and economic assistance policy using the tools provided by the bilateral and multilateral formats in order to take part in the economic projects that have a substantial impact on consolidating democracy, security and stability. The efforts will be mostly aimed at developing the energy and transport corridors able to link, from the economic and commercial point of view, the Black Sea region with the states of the Euro-Atlantic community and allow a better use of the potential offered by

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the sea and river ports in the region, while also protecting the environment and restoring the multi-fold functionality of the Danube – Black Sea eco-system.

A goal will also be to develop programs to increase the national and regional capabilities to monitor and rapidly get involved in order to prevent and counter the security risks coming from the maritime area. Support will also be lent to the initiatives aiming to improve the regional capability, to respond to crises and spoil asymmetric threats, as well as the initiatives to improve the legal framework necessary to build confidence.

Crises and violence which were manifested in the vicinity of Romania led to the loss of some traditional markets and economic ties, have caused financial losses, have hindered the development and promotion of strategies for long-term development, which constituted a bulwark in encouraging foreign investors, stressing the internal difficulties.

Concluding I could say that Romania action to harmonize and render more efficient the institutional processes of cooperation under development, to prevent competition or hegemonic temptations and establish a new framework of dialogue and assistance in which all the interested democratic states and organizations should take part. In this sense, Romania is firmly acting to organize the **Black Sea Forum for Dialogue and Cooperation** – an initiative chiefly aimed at championing democracy and economic development, energy security, confidence building, consolidating stability, peace, and security. For this purpose, Romania will cooperate closely with the states neighboring the Black Sea – Bulgaria, Georgia, the Russian Federation, the Republic of Moldova, Turkey, and Ukraine, with the other states located in the close proximity, as well as with other member states of the Euro-Atlantic community.

3. Conclusion

Never in the modern history of humanity there were so many elements of uncertainty. Despite a lot of assumptions issued in recent years, few are able to offer prospects for what will happen in the long or medium term, and their assumptions to be truthful. Increasing values of the components of the new security equation it is apparent that we have entered an era of strategic insecurity.

The situation is even more complicated as the process of globalization is continuing, which means that no one may be considered outside of the game. What are the countries most threatened is not hard to guess, but nor the consolidated democracies or the great powers cannot be considered as shelter. From this perspective the new security threats oblige states members and partner countries of the North Atlantic Alliance to work together to defend common values of democracy, security and freedom.

The road we have ahead is not easy. To meet the challenges of the 21st century it takes political will and significant military and financial efforts on the part of all. Furthermore, it requires cooperation and solidarity on the part of all members of the euro-Atlantic community to protect common values. What we have done in recent years is a success, which we propose to strengthen. The process by which Romania has passed that was neither easily nor without obstacles is part of an experience, with the value of "lessons learned" at the sub region in which we find ourselves and the Alliance as a whole area.

A realistic vision of our possibilities and resources forces us to concentrate our efforts on those priorities that will decisively influence Romania's security condition. The participation of its citizens and organizations, of the whole society will be decisive for sustaining the possibilities of developing this strategy's objectives. Security and prosperity are two objectives with a profound mutual determination and their pursuit requires commitment, responsibility and patriotism from every one.

Based on the experience accumulated and lessons learned it is necessary that we identify and eliminate the blockages, and implement immediately the solutions, which

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enable a real economic recovery. We need a coherent approach, which should unite the energies of the society, channel its resources to build a performing economy, capable of eliminating the feeling of uncertainty and insecurity at the social level.

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