



*The 12<sup>th</sup> International Scientific Conference*  
**“DEFENSE RESOURCES MANAGEMENT  
IN THE 21<sup>st</sup> CENTURY”**  
Braşov, November 9<sup>th</sup>-10<sup>th</sup> 2017



## **ECONOMIC RISKS TO NATIONAL SECURITY**

**Petre Ciprian CONSTANTINESCU, Ph.D.**

Independent Researcher/ Romania

### **Abstract:**

The common interests tend to be stronger than the divergent interests of the participants in the *globalization* game. As a result, the *risks to national security* have moved slowly, but not irreversibly, from the military field into the economic area. States that have delayed entry into the game of globalization have technological and economic gaps that expose them to underdevelopment. For states that have accepted rules of the game, national welfare and security are directly related to how should be manage the opportunities and risks involved.

*Key words: security, risks, economy, globalization*

### **1.Introduction**

For the individual, globalization can be seen as a process that has led to simplification and uniformity: the same democracy and the same market economy; we are increasingly abandoning traditional values to adopt a consuming lifestyle and the appearances of safety.

For economic organizations and state entities, however, the world has become more complex, dynamic and potentially more controversial than ever. The ability to understand major evolutionary trends, differentiation skills and adaptation speed have become essential conditions in the game of survival and progress. When business speeds grows exponentially, it can change the very nature of the business. [1] Economic risks to security are also changing today due to global competition, making it harder to manage at national level. It is no less true that most of the time, the lack of vision of the governors is the greatest risk.

The notion of neighborhood, in the geopolitical sense of the term, and defense at the border, sustained the development of security strategies, until the phenomenon of globalization became evident through the potential of its effects. The typology of threats to national security has changed and has diversified from armed threat and economic embargo, to terrorist actions, attacks of computer networks and export of economic and financial instability. Generally, classical threats have been replaced by asymmetric threats.

The response of the national state by proposing and implementing adequate security strategies is often far behind the speed of renewal and proliferation of threats, even for highly developed countries. There is an intense asymmetry between economic and political globalization, and the role of the state and of the supra-state institutions is to try to get into the pace and speed of today's business.

# ***ECONOMIC RISKS TO NATIONAL SECURITY***

## **2. Economic risks to national security induced by globalization**

Globalization has proven to be a source of opportunities but also a source of risks to the security of each state. Unfortunately, you can not have the benefits without the implicit risks. You can without doubt expose yourself to enormous risks, if you are not able to capitalize on the benefits.

### **2.1. The rethinking of national security, induced by the phenomenon of globalization**

Globalization is a tough reality. The current globalization process generates unequal incomes both within the same country and between different countries. [2] Still it is not wrong to affirm that the nowadays, the globalized world has become safer: citizens living in democracy are now considerably more interfering, becoming more empathic and less willing to label the stranger as an enemy. The most powerful states of the planet have adopted democratic regimes, even if in some cases we are talking about an authoritarian democracy. There are still classical wars, and their effects and consequences are by far the most obvious and catastrophic, both in terms of loss of life and in terms of material-financial costs. However, public pressure drastically limits the ability of a modern state to enter into classical wars, as well as the ability to postpone their result.

Violent threats, especially armed conflicts, have become increasingly unlikely, considering the widespread awareness of the destructive potential and the mobilization of increasingly discouragement resources. But a series of simple facts have proliferated and become, although less obvious, threats to society and economy: the differences between the rich and the poor, the uncontrolled migration of the labor force, the waste of different types of resources, from the natural resources to the intellectual capital.

Any nation and any market economy, however it is managed at national level, is vulnerable to the risks of global interconnection. There is a change in the nature of threats induced by globalization, which is highlighted by each crisis. Whether it is a political or military crisis, an energy or environmental crisis, a demographic or currency crisis, all of these have in common an important economic and financial dimension. What yesterday was accepted as an axiom or an economic principle is now questioned. There is concern about W form of the last economic recession, in contrast to classical V recessions. Business models are constantly reinventing.

There will still be armed conflicts, but they will be rather local and unbalanced, with a strong asymmetric character. The greatest risks to national security will be economic and social, considering the inequalities generated by globalization, both between nations and within them.

### **2.2. The security risks specific to each component of economic globalization**

The economic and financial threats to security, especially those that occur in the virulent form of crises, are based on the discontinuous nature of globalization and its effects for every economic component of globalization.

#### **The specific risks associated to globalization of goods**

Threats to security, under free market competition, are no longer related to the control of commercial routes. In search of competitiveness, exclusive economic zones have been developed, based on geopolitical criteria, derived from neighborly relations and common interests. The very beginning of European economic integration has been made in the area of goods circulation. The EU Member States have developed the most forward-thinking free market, which has led to the political integration of the area. However, economic cooperation in the North American (NAFTA), South Asian (ASEAN) or South American (MERCOSUR) is also worth mentioning.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

The conventional theory of international commerce affirms that all participants in the exchange have to win, even if not equally. But reality is more complex, revealing flagrant asymmetries and multiple equilibriums. Consequently there is a distinction between free trade and fair trade. Frequently, the strong ones talk what they do not practice.

### **The specific risks associated to globalization of services**

The globalization of goods has been followed up by the globalization of services. Globalization of production and services is closely interconnected globally: in both processes transnational corporations play the role of driving force, while new technologies tend to industrialize service production and tertiary production.

Two categories have contributed decisively to the globalization of business relationships: consultancy services and financial services. Audit firms and legal advisory firms have played an important role in harmonizing rules in the international business environment. Financial sector companies have forced, through determined action, the gradual liberalization of capital movements who have created the world's first global market - the currency market.

Transnational industrial and tertiary corporations have begun to diversify their portfolio, increasingly engaging in international financial markets. The heterogeneity of the multitude of activities, integrated into a conglomerate-type network specific to global transnationals, gives them a power that can turn into a threat to the states on whose territory they operate.

Being the economic sector with the deepest global integration, the risks to economic security are interconnected, completely out of the control of states and make possible the spread of global economic crises.

### **The specific risks associated to globalization of capital**

Globalization of goods and services required a proper movement of capital. The reduction of the competences of national authorities in their own financial and monetary markets has facilitated aggressive foreign investment, with rather negative effects in most cases.

This has shown how dangerous it is to set the means ahead of aim, highlighting the need to correlate, at the level of each state, the level of globalization of the goods and services market with the liberalization of the capital market. The ability of capital to move autonomously in relation to production and trade finance feeds speculative trends with the associated risks.

### **The specific risks associated to globalization of labor force**

Migration of the labor generated by economic insecurity of the individual, leads to social and economic vulnerabilities both for the country of origin and for the country of destination. Due to the reorientation of the local labor force towards higher added-value jobs, the outsourcing of branches or processes of production outside the developed countries was accepted and even stimulated as an attempt to limit the process of immigration, which risks to reach intolerable levels for the native population. Most corporations are looking to develop branches in less developed countries, not just to get cheaper labor but also to get new markets without worrying about possible trade barriers.

In a knowledge society, the risk of economic espionage is outstripped by the emigration of skilled labor, capable of operating with knowledge to generate more knowledge and value.

Both labor migration and job outsourcing are two mass phenomena induced by globalization, which, influenced by the demographic developments specific to each area, bring a series of new and difficult predictable threats to the security of each national state.

### **The specific risks associated to globalization of information**

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

The circulation of goods and services has been in front line of economic globalization, but the main driver of this phenomenon is today the information.

Totalitarian systems, aware of the power of information, seek to preserve their own security by censoring them.

In open systems, however, there is an increasing need for relevant and opportune information, but it is increasingly difficult to reach them. In order to have a high effectiveness and efficiency, we need the information flow to be faster and more standardized.

The main trap of the need for information, both in the economic field and in other areas of interest for national security, is information overload, which leads to a decrease in the level of relevance and even into intoxication phenomena.

In order to be managed, this information abundance implies a superior valorisation of the individual and of his / her specific competences in the field of knowledge. Knowledge has come to transform the old principle that time is money in a new principle according to which each time interval is worth more money than the previous one. [3]

### **2.3. Diversification of risks induced by the globalization of the business environment**

The phenomenon of globalization has led to a diversification of human needs, often borrowed from other geographic or cultural spaces. Local has become not enough or inadequate to meet expanding needs, along with the acceleration of economic processes. Searching for accessible resources required to meet these needs has conducted to a new type of conflict: the fight for information, goods, services, capital or labor force everywhere.

Transnational corporations have best adapted to this global competition, stimulating and speculating at the same time this evolution of the needs system. Corporations have acquired the ability to organize production and distribution globally, which gives them a huge structural power compared to national governments. Their flexibility and orientation to profit has often given them greater capitalization than most national economies. Their activity can no longer be controlled by a single state; implicitly, their position in global power relations is not threatened directly by one state or another. Paradoxically, the biggest threat to corporate interests is its own creation: the global individual, transformed into a fervent consumer, who is also a direct competitor in providing information, services, or even goods.

From national companies that have expanded their activities abroad, transnational corporations have become autonomous entities that tend to escape control, but who also tend to lose control over individuals in their dual qualities: as workforce /employees or as customers /consumers. The loyalty of individuals to a company or to a state is inversely proportional to the level of openness of that state to the phenomenon of globalization.

Individuals do not assume as much as in the past their belonging to a nation, ethnic or religious values. We have to do more and more often with punctual associations, on criteria that are hard to identify or apparently irrelevant. Some of these associations may lead to security vulnerabilities: from the heterogeneous ownership of transnational corporations, often having divergent interests from national economic interests, to individual speculators on a national currency or even to true terrorist cells. We identify three economic, asymmetric and concomitant conflicts on a global scale: transnational corporations against the national state, individuals against transnational corporations and individuals against the national state.

Transnational corporations and companies looking for new markets monitor the evolution of country risk, in order to identify the projection of the expanded market. Country risk is also important for existing speculators in financial-currency markets. While

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

a growing company is looking for a stable market where long-term profit can be gained, a speculative investor is looking for a drift market that can be destabilized to maximize profits in the shortest possible time.

It follows that both transnational corporations and speculative investors directly influence the level of country risk at a given time: some are a factor of stability and growth, the others are a factor of instability and a threat to the economic security of a state.

A positive evaluation of country risk by international rating agencies can facilitate both an increase in foreign direct investment in the economy and the possibility of contracting loans on the international financial markets on advantageous terms.

The character, power and scale of security threats are in constant adaptation to the new. However, the national state is the only entity that has the capacity and the intention to manage, most often with other states, within the various supra-state bodies, the economic risks generated by the globalization phenomenon.

### **3. National economic risks to security**

While external risks are most often evident, internal risks tend to be often underestimated.

#### **3.1. Underground economy risks on national security**

The aspiration to maximize profits apart from the means as well as the lack of competitiveness, often lead to stay away from specific regulations of a state. This creates a parallel economy, generically called the underground economy, which endangers the very foundation of the market economy that is free competition.

The underground economy is a significant presence, although sometimes prudent, in all states, regardless of their level of economic development and the political system that governs them. This presence can be explained by the particularly widespread sphere of activities that the underground economy can include, which is justified by its fluidity, dynamics and flexibility in relation to the economic reality. Components of the underground economy are not uniform across the world. The possibilities of circumventing the real economy differ from one social category to another depending on the nature and the origin of the wealth subject to taxation, the way in which the taxable material is determined, the way in which the control is organized or other factors specific to each business.

As a result, the underground economy can not be eradicated but only managed. The dysfunctions caused to the official economy are in some way balanced by the opportunities created by the economic system as a whole. In practice, the underground economy contributes to limiting both market failure and government failure by monitoring and sanctioning, as appropriate, both the behavior of actors in the official free market and discretionary government measures.

Particular attention must be paid to organized economic criminality. Modern economic conflicts are evolving like the violent forms of conflict, towards a pronounced asymmetry, where the adversary of the national state is difficult to identify because it uses unconventional fighting methods.

The poor functioning of political and normative structures, the increasing social and economic disparities between individuals, groups and communities, the lack of social unity as well as the intensification of social or ethnic tensions, guides to criminal activities. The magnitude of global organized crime is largely due to its economic dimension.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

The global spread of organized crime and the creation of cross-border crime networks have been facilitated by the phenomenon of globalization. Beyond the unfair and indirect competition made to legitimate economic agents, and similar to the transnational companies, a direct competition has emerged between networks of economic criminality, for the expansion of the sphere of domination on the territory of as many national states as possible, in order to ensure a maximum profit. Informal structures, crime networks are characterized by greater mobility compared to legally constituted structures. Promoted by border permeability and reduced bureaucratic barriers, such organizations seek to identify and expand especially on the territory of countries with increased country risk by serving the vulnerabilities offered by the social environment, the technological progress and all the deficiencies of the society.

With greater mobility than social control factors, organized crime structures tend to erode the foundations of the social system, endanger the stability and security of the fundamental institutions of states, groups and individuals, being a real threat to economic and social security. At the same time, the work of transnational criminal organizations is likely to endanger national sovereignty, state authority, and the smooth running of global democratic and economic processes.

Although it is an asymmetric struggle in which states and international supervisory and regulatory bodies can only use classical means, they must identify and correctly apply measures that are maximally effective in limiting the underground economy and reducing the impact of economic crime activities on economic security at national and global level.

The underground economy generates income, but this revenue is not directly redeemable in the official economy, as it would fall under the tax or criminal laws. In order to use these funds in the official economy, a process of fund recycling and money laundering is needed to turn them into licit incomes. This process has been facilitated by the phenomenon of globalization, through the possibility offered to criminal organizations to benefit from the advantages of buffer zones, known as tax and banking havens, where there is no legal obligation to register economic activities and rigorous reporting of the source of income.

As tax havens have been more closely monitored in recent years, organized crime organizations have often sought to minimize their risks by recruiting or planting senior officials, which can facilitate the commission of crimes against public institutions, financial-banking systems or corporations.

In addition to the obvious negative effects, the underground economy can also play a positive role as a valve for the recessionary stages of the official economy, especially through the *black jobs* it offers to people without one. At the level of the economy as a whole, the money thus obtained is largely used in the official sector. Although they are of illicit origin, these amounts have a generally positive effect by reshaping public financial resources from indirect taxes.

Under these circumstances, it should be noted that the underground economy can be a crash solution for crisis situations, giving some flexibility to economy. But beyond this complementarity, we need to be aware of the long-term costs involved in a tolerant attitude to tax evasion practices.

The beneficial influence of the underground economy is only short-term. In the long run, the negative effects on the economy and the risks to economic security are much greater than the potential benefits: an oversize of the underground economy followed by the usage of clandestine revenue to consumption causes inflationary effects. In turn, inflation accentuates social polarization, by slowly but continuously decreasing the living standards of the poorest.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

### **3.2. The economic risks generated by national human resource management**

In time, economic dysfunctions lead to a decline in active labor: birth rates are declining, low earners seek higher incomes across borders, and educated seek out opportunities for capitalizing on knowledge. The human resource, especially the educated, is a comparative advantage often neglected by economic policies, distorted by short-term electoral interest.

Demographics, socio-economic activities and security have always been in a close, existential relationship. The interdependencies between population size, resources and wars have been evident throughout history. Today, although armed conflicts still have a strong economic conditionality, the force of a national army is no longer directly related to the size of the nation's population, but rather to its economic power. The economic power is directly linked to the availability and quality of the labor force, so the implications of demographic developments on the national economy are a more direct and more difficult threat to be managed than the threat of an unlikely armed conflict.

First of all, it is necessary to ensure a demographic balance at the structural level, by population groups (age, work capacity, health, studies, etc.). The risk that the national economy fails under an aging population, unable to adapt to the accelerated changes specific to the knowledge economy, is understandable.

While the galloping growth of the population has always been an obvious threat, due to the limiting nature of resources (food, energy, etc.), population decline, together with its aging, leads to a *demographic winter* [4], difficult to control and with long-term consequences, hard to anticipate. Fewer working people have to support a growing number of social assistants, which affects the sustainability of both social and health systems, already exposing economic and social security.

As a result, we have two key issues: to stimulate the birth rate necessary to replace generations capable of working, and to benefit from the potential of the existing workforce. The incapacity of labor recruitment leads on to a large number of social assistants, some of whom are retired too early, as well as to the phenomenon of migration.

Romania's economic security is in recent years under the pressure of a strong emigration phenomenon by those frustrated with the conditions offered on the domestic market. Apparently, there is a positive effect: money sent home can help equilibrium the balance of payments; however, generations of children frustrated by the lack of parents temporarily working abroad will have to manage the state's economic and social future. In the long run, the effect is catastrophic at both individual and community level, which will have to open to immigrants, with the social and economic threats already experienced by developed countries:

- considering that at some point the labor supply will decline, it is expected that immigrants will accept lower salary incomes, which will cause the unemployed to be in high proportion from local labor force;
- it is likely that a large proportion of immigrants in the labor market will seek to reside in the adoptive country. Even if the first generation will integrate without raising socially significant problems among their children, there are problems of harmonizing the cultural values acquired in the family with the values of the society in which they live. From the experience of Western Europe, some of them, people with European citizenship but emotionally unstable, are the most dangerous and most fanatical terrorists recruited;
- last but not least, labor immigration is likely to be the result of a phenomenon of skilled labor emigration. Most likely, much of the knowledge capital once left will come back home only for tourism, which is an irreparable loss, taking into consideration that immigration of skilled labor is improbable.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

When considering the costs associated with a phenomenon, there is a tendency to focus on what is here and now. In order to understand the possible long-term implications, a comparison of the post-war economic and social costs for the first Iraq war is relevant: since 2001 to present, the US has already paid five times more for the rights of disabled veterans who took part in the conflict than they paid to carry that war. [5]

The bill for present wars will be passed on to future generations. Lost opportunity costs, generated by falling birth rates and labor migration, although difficult to estimate, expose long-term economic security.

Unlike their parents, new generations of employees have a work ethic in which loyalty is no longer so important. Education remains the slowest, but also the most potent factor of economic growth; the inability to create opportunities to prevent the brain drain will result in the fatality of playing permanently in the second economic league.

### **3.3. The role of fiscal policies in managing economic risks**

In a market economy, the public economic sector makes a minor contribution to the Gross Domestic Product as compared to the private sector, but the state still has the role of dictating the rules of the game. In order to moderate economic risks, a sustainable economic development strategy is needed, and this should be based on a tax strategy to encourage the business environment and to limit the underground economy.

In a globalized world, the fiscal system remained a basic element of national sovereignty, without which no government could implement its policies. Fiscal policy, the main instrument of state intervention in the economy, aims to reduce fluctuations and economic instability, protect and stimulate income, tax collection, and reasonable distribution of income that must influence economic activity, investment and consumption.

As a result, the greatest risk to the national economy is the very process of developing and implementing fiscal policies; a possible change in tax philosophy, without taking into account all the variables and possible consequences, leads to an economic decline difficult to neutralize. An issue could be the return from the single tax to a progressively tax system that is considered more equitable from a social point of view. From the point of view of economic security, the state must set the limits of the social economy and the socially suffocated economy. [6]

The state's ability to be an active actor in the economy is closely linked to the state's ability to collect sufficient financial resources in the medium and long term, meaning the quality of the tax administration act. But the state is no longer the only generator of economic and security strategies; the private sector and civil society have the role of seizing the national opportunities that can be exploited globally and the state is meant to integrate them into the national strategy and to create the optimum conditions for its implementation. In order to ensure long-term economic security, it is necessary to define a strategy focused on progressive, continuous reduction of fiscal pressure on the business environment at a level at least similar to that of direct competition, in nearby markets.

Asked what is the most important about taxes, Arthur Laffer, considered the architect of economic policies that have remodeled the modern American economy, replied: If you tax those who work and pay those who do not work, do not be surprised if many will remain unemployed. The idea is to collect taxes in the least damaging way and spend them in the most beneficial way. If you want, the most important lesson is not to pay people who do not work and not to tax others because they work. [7]

The single tax rate, adopted by many states, was inspired by Arthur Laffer's study, which states that the change in the tax rate has two effects on tax revenues: the arithmetic effect and the economic effect. The arithmetic effect assumes that, if the tax rate falls, the tax revenues decrease. The economic effect resulting from the lowering of the tax rate has

## *ECONOMIC RISKS TO NATIONAL SECURITY*

as a consequence the stimulation of the economic activity, which leads to the increase of the taxable base. In reality, the arithmetic and economic effects are combined.

The Laffer curve shows that total tax revenue increases with the tax rate, and then decreases. The argument behind this statement is the following: when the tax rate is zero, the revenue attracted to the state budget from tax is zero, thus obtaining point A. If the tax rate is 100%, the state would collect all income, but the agencies Economic entities would discontinue their activity so that tax revenues would be equal to zero in this case too, i.e. point B on the Laffer curve. However, between points A and B, the state collects higher than zero tax revenue, so the curve has to rise from point A and decrease to reach point B.

R (Tax Receipts)

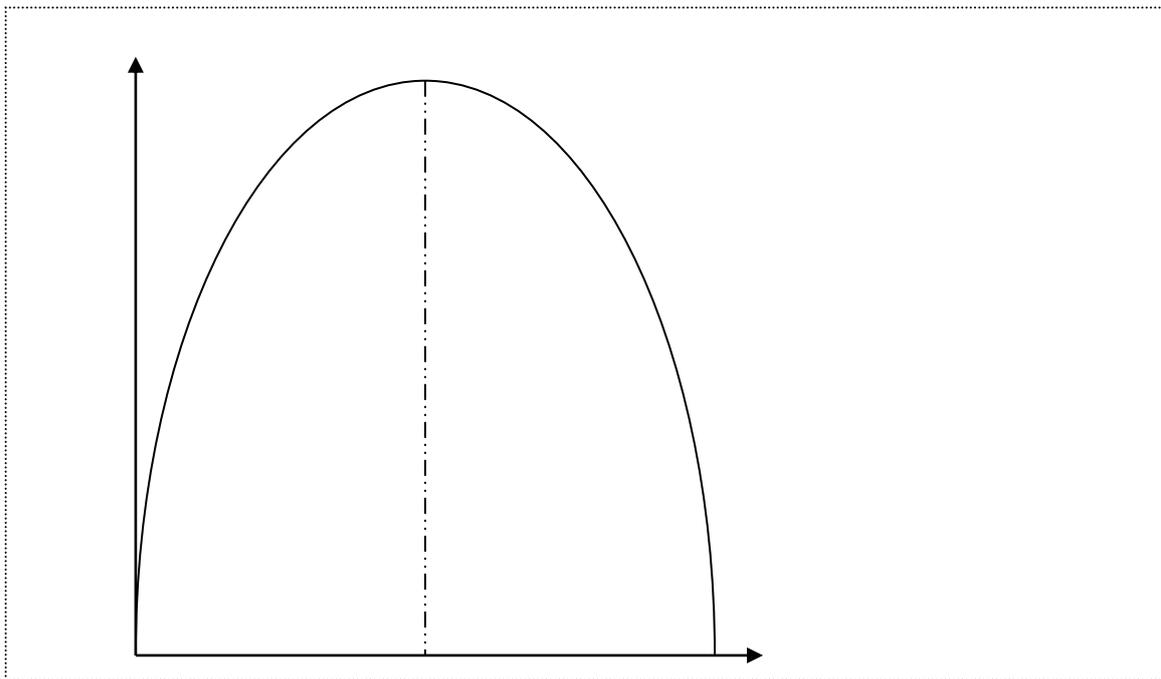


Fig.1 A T1 Maxim T2 B T (Tax rates)

In practice, reducing tax pressure can be phased in the company of other actions that, in principle, should strengthen their effects. By reducing fiscal pressure, there should be cumulative effects on revenue growth (by stimulating saving, investment and global demand), rising labor supply and declining black labor by narrowing the parallel economy. What is meant by the gradual decrease of the tax rates for the various contributions to the state budget is the attraction of some taxpayers from the underground economy, which would have the effect of attracting additional resources to the state budget, but also a decrease in the activity of the criminal groups, along with the development of a healthy business environment.

The political inconsistency and the inability to achieve a balanced budget execution, taking into account budget allocations to populist objectives, uncoordinated with the economic reality, leads to the search for solutions to increase the tax base in ways that may reduce the confidence of the private sector in the government's fiscal policies. In this case, the accent is no longer placed on the excessive fiscal pressure, but on its unpredictability, transferring the main risks from social security to the economic one.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

For centuries the elites have feared and defended themselves against rebellions of the poor. ... The Third Wave, however, is accompanied by a surprising new development - the rising risk of the revolt of the rich people. [8]

And this is for the reason that in a market democratic society, it can be relatively easy to increase your income, but the lifestyle gained through it is sustained with increasing efforts: there is a need for an increase in productivity, based on an increase in efficiency. Efficiency increases only on the basis of investments, and they only appear if the business environment is attractive.

A business that earns little or no profits for a long period of time should reinvent itself or should be closed, unless it's simply a money laundering machine. By extrapolating this to a country that has difficulty paying current administrative expenses, finds scarcely resources for salaries, pensions and social assistance, and almost no investment and research, there is a question of the capacity of state bodies to develop and pursue a medium and long-term strategy that consistently harmonizes fiscal and budgetary policies with macroeconomic objectives in such a way as to ensure the economic security of the state and the economic development.

### **4. Some implications of economic risks on national defense**

In the context of the post-modern world, more effective means not being forced to choose the military way. [9] The Cold War was actual an arms developing competition. Military technologies and equipment have been and continue to be among the most avant-garde. Their annual R & D expenditure is higher than the Gross Domestic Product of most developing countries. In this sense, a skeptical analyst of the US administration's latest approaches could question the very ability of the US economy, the most powerful economy of the last century, to continue to support military spending at the same level. The memory of the devastating effect of unsustainable military spending on the former Soviet Union is still fresh.

The current international context is favorable to geostrategic repositioning: it could represent the chance of NATO reinvention, the chance of asserting a common military force of the European Union to help define its identity, but also the chance of Russia to reinvent as a global actor, the chance of China or the chance of Turkey to affirm on a military plan the economic evolution of recent years. The worse, it could be simply the failure of the civilized world to assist powerlessly in amplifying terrorist actions.

But any military ambitions must be able to be supported economically. Unlikely in the near future, a large-scale military conflict involving two or more state actors would imply further than armed confrontations a verification of the economic capacity to sustain the war effort over a period of time undefined. For the reason that the developed states almost integrate all the economic activity in the world, furthermore NATO member states embrace nearly two-thirds of the global economy - a rational decision from any potential opponent from *second world* [10] would involve looking for a diplomatic solution.

There is however a great unknown about this dynamics of war economies. How will the forces over 5, 10 or 20 years be re-established, especially if the power ambitions of some states like Turkey lead them out of the alliance, or if Russia's efforts to weaken the cohesion of its members will come to fruition in the case of some states, for instance Hungary.

For a NATO member state, compliance with the 2% defense rule is a more than required insurance policy for a possible armed conflict. For smaller states, these costs are not sufficient for an adequate level of ambition, but they allow minimum required equipments and weapons to provide interoperability with allies. In addition, if a part of

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

these funds is spent on the national defense industry, there will be a positive economic effect of re-entering the funds into the national economic circuit.

Today, acting alone is a safe way to be removed from the market [11], and fighting alone is a sure way of being defeated.

### **5. Conclusions**

The importance of actions to prevent and discourage nuclear proliferation, classical wars or asymmetric threats like terrorism it is obvious. But it is expected that the long-term global solution to ensure global security is to ensure sustainable economic growth reflecting an increase in the standard of living of all, focusing on the constant reduction of the gap between social classes in each society as well as between rich states and the poor ones.

Ultimately, security is the most important of the basic human needs. [12] Ensuring security at individual, organization or nation level does not mean preserving a situation. The world is changing, as it has always changed throughout its history. Today, however, it changes faster, very quickly. Change has become a second human nature, and the challenges induced by the globalization to national and international security have incomparable dynamics in history.

In the market economy, the normal condition of actors is high risk, aggressive competition, in one word - insecurity. Economic trends accelerated so much over the last decade have had to do with the massive redistribution and stratification of world resources: jobs, goods and money. [13] The national economy is the basic element of the state but, at the same time, it is strongly connected to the global economy and international institutions. In a deeply interconnected world, internal security threats like the unsatisfactory management of national economy activities appear to be more present and more difficult to counteract than those of external forces.

Globalization has led to a complex transformation of threats to national security. You may not agree the formula according to which *the best defense is the attack* but in the game of globalization, without a good attack, no matter how good the defense is, you will lose. From an economic point of view, any individual, any economic agent and any national state, no matter how excellent it would be at any given time, if it fails to anticipate changes or to adapt fast, will be out of competition. This is very well underlined by the dynamics existing in the ranks of the richest individuals, the richest corporations and the richest nations.

The economic dimension of the security of any economic actor depends on its ability to synchronize with changes in the global environment. The ability of a nation's citizens to anticipate and to adapt mentally to change, in close correlation with the entrepreneurial spirit, already makes the difference between nations.

Under these circumstances, the role of the state in managing economic risks is more important and more difficult than ever, because it must exist and be active without feeling its existence. Starting from the belief that a well-prepared and flexible workforce is an essential condition for success, a state can really become competitive only if it has a well-educated knowledge-based society capable of making the most of its intelligence and creativity resources.

The state must therefore be an arbiter today, but where there are obvious risks, the state must become a player. We are contemporaries of moving to a new knowledge-based wealth system, initiated and accelerated by the phenomenon of globalization. It is only up to us to be beneficiaries of this new system and not just outsiders.

## ***ECONOMIC RISKS TO NATIONAL SECURITY***

As for the risk of armed conflicts, everyone should understand that the ability to combine *soft power* with *hard power* is a proof of *smart power*. [14] Common economic interests can be more successful than diplomacy.

Forget about the classic war. Forget about the cold war. Today, in the shadow of terrorism, but much more present than this, we all participate in a permanent, instant and large-scale economic war.

### **References:**

- [1] Bill Gates, *Afaceri cu viteza gândului - spre un sistem nervos digital*, Editura Amaltea, București, 2002, p. 7.
- [2] Joseph E. Stiglitz, *Mecanismele globalizării*, Editura Polirom, Iași, 2008, p.22.
- [3] Alvin și Heidi Toffler, *Război și antirăzboi*, Editura Antet, 1995, p.57.
- [4] Rick Stout, documentary *Demographic Winter - The decline of the human family*, 2009, presentation site <http://www.demographicwinter.com>
- [5] Linda J. Bilmes, *Irakul ipotechează SUA pe 100 de ani*, published in the Foreign Policy magazine, April /May 2008, Bucharest.
- [6] Dragoș Pătroi, *Evaziunea fiscală între latura permisivă, aspectul contravențional și caracterul infracțional*, Editura Economică, 2007, p.34.
- [7] Arthur Laffer - *Amnistia fiscală este o măsură necesară*, an interview published in the Capital Magazine on May 19, 2005, Bucharest.
- [8] Alvin și Heidi Toffler, *Război și antirăzboi*, Editura Antet, 1995, p.207.
- [9] Robert Cooper, *Destrămarea națiunilor-geopolitica lumilor secolului XXI*, Editura Univers Enciclopedic, București, 2007, p.63.
- [10] Parag Khama, *Lumea a doua. Imperii și influențe în Noua Ordine Mondială*, Editura Polirom, 2008.
- [11] Jeremy Rifkin, *Visul european-despre cum pe tăcute, Europa va pune în umbră visul american*, Editura Polirom, Iași, 2006, p.159.
- [12] Susan Strange, *State și piețe*, Editura Institutul European, București, 1997, p. 61
- [13] Klein, *No logo – tirania mărcilor*, Editura Comunicare.ro, București, 2006, p. 12
- [14] Joseph S. Nye, article *Winners and Losers in the Post-9/11 Era*, [www.project-syndicate.org](http://www.project-syndicate.org), 2006.