IMPLICATIONS AND CONSEQUENCES OF THE GLOBAL CRISIS ON ECONOMIC SECURITY

Diana, Chiș-Manolache[1]

Abstract:

The globalization has an extremely important economic dimension, and the economic security has a significant weight within national security. As it is well known, the human society is one par excellence economic, in the sense that it has limited resources to manage. This paper approaches the economic dimension of national security in the context of the global economic crisis, but also of the crisis generated by the COVID-19 pandemic.

Globally, the economic security has been threatened by a number of extremely important factors, and the financial crises are those that destabilize national economies.

Currently, the economic crisis, coupled with the health crisis generated by the COVID-19 pandemic, is hardly hitting many European countries, aspect that fuels general feelings of uncertainty and leads to stringent measures for economic recovery. The existing financial crisis at international level generates obvious consequences on the Romanian economy, on multiple levels. The economic forecasts for our country in the next period are not at all gratifying, fact for which it is necessary a real strategy in order to overcome this crisis and to recover the entire economy.

Keywords: economic security, health crisis, globalization, financial crisis.

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Introduction

The factors that threaten the economical security of a state and its population are both internal and external in origin. The most important of these are unemployment, poverty, financial crisis, lack of social protection, lack of economic competition and finally relocation and externalization.

At a more profound analysis, we can see that the downgrade of economic security is also linked to the damages brought to the environment. Thus, we find it to be impetuous that we research durable development in this work, sustainable in both economic and social terms, but also social responsibility of multinational companies.

Poverty is a national and international problem, that does not have miraculous solutions. This scourge is directly linked to wages, education, health, access to resources, geographic position, ethnic origins and is characterized by a lack of control on resources, knowledge, capital, social relations, through lack of political participation and even loosing dignity. The strategies of fighting against poverty are focused on individual's access to goods they need in order to participate in progress, and for his human capital to be valued.

It should also be noted that the poor are not a homogeneous group. From the documents of international organizations, there are several broad categories of poor people: women, children, the elderly, the sick and disabled, indigenous peoples and the rural poor. As for women, they are considered "the poorest of the poor", constituting an excluded group.

There is talk of a feminization of poverty, challenged by some experts, due to the lack of detailed statistics by sex and data on income distribution within the household. Given that women have lower development prospects than men in the poorest areas and are usually paid less, this concept of the feminization of poverty can be validated.

These categories are outside the community that contributes and benefits from development, progress.

Poverty also has demographic implications, with statistics showing that countries with a high fertility rate, for example those countries without family planning programs, have a

[1] University lector, Carol I National Defence University, dianachis1488@gmail.com

higher incidence of poverty. As is well known, the fertility rate of developed countries has fallen considerably in recent decades, while poor countries have the highest rates.

Also, population growth is considered an obstacle to achieving social, economic and environmental goals. There is pressure on social services of public authorities, the increase of the population being at the hearth of widening the gap between rich and poor countries.

1. Financial crises, social protection deficiencies and relocations

According to the United Nations Conference on Trade and Development, in developed countries, financial instability takes the form of banking and monetary crises, and in underdeveloped countries it is a mixture of the two, accompanied by growing difficulties in external debt service.

Financial crises show that the free movement of capital can destabilize national economies. The solution found by some economists is to control financial flows. Thus, there is more and more talk about the introduction of a tax (approximately 0.1%) on capital, called the Tobin tax, but the implementation of this solution seems utopian, like the creation of parties to deal with this control.

To combat crises, the IMF recommends, on one hand, raising interest rates, defending national currencies and preventing the hasty departure of foreign capital, and, on the other hand, a massive drop in public spending.

It should be noted that, in overcoming the crises, Asian states followed mainly three strategies to get out of the impasse: the narrowing of the monetary policy, by increasing interest rates; maintaining a significant volume of foreign exchange reserves and credit lines to cope with massive capital outflows; recourse to the IMF, the international lender of last resort.

Another factor that threatens economic security are deficiencies in social protection systems. The perception that the forces of globalization endanger the social security systems of rich countries is widespread. This perception is based on an intuitive idea: social security is expensive, it increases the cost of labor, and companies, out of a desire to maximize their profits, will tend to transfer their activities from countries where labor costs are high to countries where social security systems are less developed. These transfers put pressure on countries with increased social security to reduce social protection. By spreading this trend, a competition of protection cuts begins, and the competitive pressure derived from globalization gradually erodes social security. Thus, in order to face competition from countries where labor is cheap, rich countries should reduce the social protection they provide to their own citizens.

Considered to be beneficial mostly to the non-poor peoples, social protection does not coincide with the fight against poverty. The fight against poverty is a recoil compared to social protection. It is not a complement, but an alternative to social security. It does not offer protection against a market, but a chance and obligation to participate at a market economy.

As concerns relocation, we can understand the transfer of activities, capital and jobs to those parts of country or other countries that benefit from a competitive advantage brought in a number of factors. Actually, it is about those lower costs of production, fiscality, and more attractive rulings, access to superior technologies, better competence of workers involved, a local market that ensures wider or interesting outlets, a better infrastructure or a more attractive business environment.

Relocations have intensified with globalization (Chirovici, Eugen Ovidiu, p. 84) Countries are entering a global competition, trying to offer the most attractive conditions for investors. Relocations can fill the economic "vacuum" in a given region by attracting investors who will open new economic targets. It should be noted, however, that not all investments are relocations. When we are dealing with a relocation, opening one factory means closing another and we have a zero-sum game between the respective regions and between the countries (see the “Jucu case”, with the Nokia subassembly factory). Relocations encourage decentralized forms of management and lead to layoffs, being unpopular among employees.

On the other hand, the products obtained in the new location are cheaper and can be returned to the region or country of origin at a lower price, which is to the benefit of consumers.

Studies show that there are losers among emerging economies due to relocations and outsourcing. There will always be a country with a cheaper labor force or more favorable tax regulations, and companies will move in that direction. In addition, developing countries lose competition with more developed countries and have to outsource their services that they cannot afford domestically.

Thus, even if the most affected by the effect of outsourcing are developed countries, intensive in highly skilled labor, developing countries are more affected by this phenomenon. For example, the USA is the largest importer of services in terms of value, but as a share of GDP, these transferred services are insignificant compared to other countries.

Therefore, in a growing field such as outsourcing of services, globalization intensifies global competition, creating partial winners and losers, both in developed and developing countries (Chirovici, Eugen Ovidiu, p. 84). The latter, although they gain from the provision of services, are at the same time losers in the process, as they fail to provide sophisticated services with high added value, being forced to procure them for their own business in other countries.

2. The impact of the global crisis on national security

The financial crisis, being usually the beginning of an economic crisis, can be defined as a situation in which the demand for money is higher than the supply. This means that liquidity evaporates quickly as available money is withdrawn from banks, forcing banks to sell their own assets and investments to cover their needs and survive in the market.

As a definition, the economic crisis is a situation in which a country's economy suddenly goes through a decrease in its strength, feeling a decrease in GDP, an evaporation of liquidity and a rise / fall in prices due to inflation / deflation. Some economic crises, such as the current one, can take the form of stagnation, an economic recession and sometimes lead to economic collapse.

The economic depression is the result of the worsening economic crisis, more precisely the sustained decline of one or more national economies. It is characterized by a dramatic increase in the unemployment rate, the restriction of credit, the major restriction of industrial production and investment. They are part of the "landscape" and price deflation, hyperinflation, numerous bank failures, reduced trade, very volatile exchange rate, with a tendency to devalue.

In this context, we remind that national security is a complicated process, maintained by political, economic, social, informational, legal, ecological, military, which has as finality the state of security based on the rule of law. It defines the lack of dangers for the nation, for the social communities, for the national state and for its citizens. Fundamental security can be expressed through the following indicators: (https://cssas.unap.ro/ro/pdf_carti/Perspective_ale_securitatii_si_apararii_in_Europa_vol1.pdf)

- Durable economic development and prosperity for citizens;
- Preventing and combating social and political aggression
- Exerting without limitations the rights and freedoms of citizens;
- Legality;
- Social and political stability and equilibrium;
- Freedom for acting and decisions of a national state.

National security is achieved through adequate measures of a political, economic, diplomatic, social, legal, educational, administrative and military nature, through the activity of security intelligence / counter-intelligence, as well as through the efficient management of crises.

We assume that the beginning of the global economic crisis is known to everyone, but we would like to mention that at the root of this crisis that began in the USA, was the wrong monetary policy adopted by the EDF by lowering the reference interest rate below 2%. In doing so, the EDF gave up its moderate pre-2002 policy, and with the easiest way to raise money, it began to harbor risky loans from banks.

The small signs given by some US lending companies, through layoffs and possible bankruptcies, did not worry the state, erroneously considering that such problems have been registered before. But this time it was different. On Wall Street, investment banks responded to the financial boom by pooling real estate mortgages and using the shares thus obtained to secure complicated financial instruments. Those who created these instruments, the rating agencies that evaluated them and the prestigious institutions that bought them did not notice the enormous risk they posed. The EDF had accustomed everyone to risk through prolonged exposure.

Another mistake of the US Congress was when it used the credit institutions "Fannie Mae" and "Freddie Mac" to expand the risky credit market. The EDF did not notice that the credit freeze was a risky issue shared by all and treated it as a liquidity problem. As a result of this mistake, the government made another one, throwing a "cheap" wave of money and undermining the dollar. The price of oil began to rise uncontrollably. In other words, it all started with the greed of people to have a lot and fast - more and more risky loans were given, from which substantial commissions were stolen and serious banks were attracted in this race of big gains with any risk.

As expected, as a result of this crisis, unemployment has risen through layoffs by companies of all sizes, some to save themselves from bankruptcy, others to try to stay profitable. In economically underdeveloped countries, national currencies have devalued against the euro.

As for Romania, the main cause of the deepening crisis was all excessive consumption on debt. The international financial crisis triggered the domestic economic crisis because it affected funding sources. Romania's economic growth in 2005–2008 was not generated, as it would have been economically efficient, by external demand (exports), but by domestic demand, representing population consumption, government consumption and unproductive investments.

If in 2004 there was an economic growth of 8.5% at an inflation of 9.3%, with a fiscal deficit of 1.5% of GDP and a current account deficit of 8.4% of GDP, in 2008, there was an economic growth of 7.9% at an inflation of 6.3%, with a fiscal deficit of about 5% of GDP (twice higher than projected) and a current account deficit of 13 , 5% of GDP (after a deficit of 14% of GDP in 2007).

Given that the Romanian banking system is owned, in proportion of 90% by banks with foreign capital, and they recorded financial losses due to the purchase of toxic products on the American market, the ability of parent banks with subsidiaries in Romania to continue to provide generous lines of credit at low cost has dropped dramatically.

Another factor that has made the global crisis more and more acute is the Romanian exports. They are based on metallurgical, petrochemical and subassembly products of complex equipment, including automobiles, and externally, also by the collapse of bank lending, the demand for such products has decreased. All this in parallel with the decrease in domestic demand, amid a substantial contraction in lending.

The economies of Germany and Italy, which together absorb almost a third of Romania's export volume, decreased by 0.5 and 0.3%, respectively, in the second quarter of 2008. During January-August 2009, Romania's exports to the countries of outside the Community they fell by 29.1% compared to the same period in 2008 to 4.87 billion euros, and imports from outside the EU fell by 44% to almost 6.55 billion euros. Romania delivered to the other 26 EU countries goods worth 13.69 billion euros, 14.9% less than in the same period of 2008 and imported one third less, 17.8 billion euros.

The first unit to announce that it was feeling the effects of the financial crisis was the Mittal Arches Plant in Galaţi, which reduced its production of laminates to more than half.

After an apparent remission in late 2010 and early 2011, the economic crisis has hit most companies hard, with declining sales, hampering access to finance, a sharp drop in liquidity and rising bankruptcies, especially in recent months.

The context of a global crisis can be deciding step in choosing a future direction of behavior of future states, in the multinational environment (Jack Knight, 1992, p. 178). To be more precise, it is about a direction in which states can intervene in their own national economies and can be more careful in choosing their states prerogatives, as they will become less involved in the economy and in the globalization development.

The states intervention in the economy can spread from forced nationalization – as was the case with the forced nationalization in states belonging to the eastern bloc, during the communist era – to the necessary nationalization – to seeing western “models” from the last years of crisis. Thus, recent capitalism is faced with a paradox – taking a private property and moving it to the state property.

As was done in order to avoid a bankruptcy perspective for companies or even multinational corporations and to avoid, at least for a while, dramatic consequences.

3. Health crisis generated by the COVID-19 pandemic and its economic impact

In Europe, the economies of the states are deeply affected by the crisis generated by the COVID-19 pandemic. Obviously, the proportions of the disaster are different, being directly connected with how solid the economic systems of the states are, but also with the capacity of the pandemic management by them.

The pandemic caused by the new coronavirus is a huge shock to economies, both in the EU and globally, with very serious socio-economic consequences.

As regards the gross domestic product (GDP) of European countries, the situation is different, from state to state. At one pole there are the states whose GDP will fall dramatically this year, and at the other pole there are the countries that will experience a slower decline in GDP. In the following, we will carry out a brief review of the main European countries dealing with major economic problems arising from the current pandemic.

For example, Greece is one of the states facing economic problems due to the pandemic, but Greek central bank officials estimate a drop of just 6% in GDP this year. This estimate shows that the situation of this country is more optimistic than that of other European countries. These issues come as Greek Prime Minister Kyriakos Mitsotakis hoped 2020 would finally be the year it would restart the economy, thanks to the pro-business measures that he had considered and thanks to an investment programme to revitalise Greece .

Although the pandemic was an obstacle to the plans of Greek officials, the Greek islands were a favorite destination for many Europeans to spend their holidays, which is why the economy benefited. Obviously, the strict rules imposed by the Greek governments regarding the management of the pandemic have contributed to this: the obligation to submit a negative test in order to cross the border, strict controls at customs.

In terms of gross domestic product in Germany, maybe the largest European economy, it is estimated that it will have a contraction of 6.4% this year. However, there are signs that things will recover and that there will no be an obvious economic crisis.

On the other side, dominated by massive losses, we observe the economic situation in the United Kingdom. In the context of a severe epidemiological situation, this state has had a fairly long period of lockdown, which has generated massive consequences for the economy. London economic analysts forecast a drop of about 21% of GDP by the end of this year. Moreover, the news is still not good today because it seems that British consumer and service industry are dependent on the face-to-face activities, and this aspect largely affects the country's economy.Mai mult decât atât, veștile nu stau bine nici în prezent deoarece se pare dependența britanicilor de consum și de industria de servicii față în față, afectează în mare măsură economia țării.

Another country heavily affected by the current health crisis is Italy, whose economy is falling dramatically. All measures taken by the authorities to stop the spread of infection with the killer virus led to a temporary cessation of activity for most factories between March and April.

This year, the decline in GDP will be determined, primarily, the decline in domestic demand", according to NBS - National Bureau of Statistics, which predicts that household expenditures will be reduced by 8.7% and investment by 12.5%. The Bank of Italy anticipates an economic contraction of 9.2%, the European Commission anticipates an economic contraction of 9.5%, while the government forecasts a decrease of 8% in April. The Bureau of Statistics expects the economy to partially recover next year, with GDP growth of 4.6%. The statistics office's forecast for 2020 is based on the estimate that the second quarter GDP decline will be sharper than the 5.3% decline recorded in the first three months of the year and that the economy will begin to recover in the second half semester.

As for Spain's economy, it was dealt a very strong blow, one of the causes being the strict and prolonged lockdown period that the Spaniards had taken in March and April 2020.

Spain reported a historic decline in the economy in the second quarter in 2020, with the economy recording an 18.5% rebound, thus canceling the entire recovery since the financial crisis from 2008, according to data published by the National Statistical Institute (NSI), amid the effects of the coronavirus pandemic.

Analysts' forecasts were outdated by reality, with their estimated decline of 16.6%. This decrease follows another 5.2% decline in the first quarter of 2020, giving rise to the most severe recession ever in Spain's economy.

Regarding our country, it is expected to be registered a significant budget deficit, given that our country was already in a fiscal skid, which overlapped with the financial problems generated by the pandemic. According to the most recent estimates, Romania's government deficit is expected to grow to 10.3% of GDP in 2020, from a revised level to 4.4% of GDP in 2019. Comparatively, in the spring, the Community Executive has estimated that Romania would end the 2020 year with a government deficit of 9.2% of GDP .

The pre-existing expansionist trend, largely determined by the increase in pensions, would be aggravated by the impact of the COVID-19 crisis. Tax revenues will be adversely affected by the recession", the European Commission says.

In addition, despite the expected return of the economy and the expiry of the support schemes introduced in the context of the pandemic, the Community Executive forecasts that Romania's government deficit will continue to grow in the coming years, reaching at 11.3% of GDP in 2021 and 12.5% of GDP in 2022 .

Conclusion

For the Romanian economy, the 2020 year was a challenging period, and our country did not confront with a similar situation in the last 25 years. The pandemic affected all economy branches, in different proportions. But, unlike the 2008 crisis, monthly data show that the recovery began earlier in May. And in June, the pace of return became particularly strong, paving the way for a robust growth in the third quarter. Subsequently, the pace of return is expected to slow significantly.

At the moment, under a most likely scenario, the economic activity will be able to recover and to return to the pre-crisis level, in a faster than pace than in previous recessions.

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