



CENTRE FOR SECURITY COOPERATION

Conference on Financial Aspects of Economic Crisis and their Impact on Security Sector

SSR-06-CF

Budva, 6th - 7th November 2012



The conference group photo

Abstract

The end of the Cold War marked the beginning of reduction in military spending for the rest of Europe. During the same period, considerable part of South East Europe (SEE) saw increased national efforts in the field of military spending.

Since 2008, the ongoing economic and financial crisis has struck the whole of Europe, and well beyond. In addition to that, the SEE countries had to cope with huge structural changes in the course of their transition processes, while nowadays they can speak about considerable results achieved in this field.

However, the SEE countries have generally been faced with severe economic and financial crisis, unfinished transition processes and demands and efforts in the context of European and Euro-Atlantic integration.

Consequently, the security sector remains one of the prominent targets of transition and one of the prominent factors in the process of integration, unfortunately, with its hands tied in the existing economic and financial circumstances. The defence and/or security sectors have to meet the constitutional demands and basic national interests, as well as demands deriving from the national decision to commence the integration process. It is evident that

defence budget/s should be higher. Only, who can persuade the nation to decide in that direction? It is difficult to achieve this during peacetime, let alone in the times of severe economic and financial hardship without a single firm indicator of when it could end.

Some say that, in times as hard as these, it is advisable to join forces and thus gain more with less.



Opening of the conference

Activity Background

The purpose of the conference was to bring together regional experts on economy and finance, experts and decision makers from Defence Planning and Defence Finance Departments, as well as members or designated professionals from parliamentary defence and security committees from South East Europe to introduce, discuss and, to an extent, deal with the issues related to the current economic and financial crisis, its effects on defence budget and general expenditure trends.

Activity Facilitators

The conference was jointly planned, organised and executed by RACVIAC and the Montenegrin Ministry of Defence. RACVIAC's part of organisation was supported by the Kingdom of Norway and the Republic of Austria.

Activity Venue, Duration and Participation

The conference was conducted at the Mediteran hotel, Budva, Montenegro. The event started with a welcome dinner on the 6th of November 2012 and continued the next day. The participants came from Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia¹ and Montenegro. The conference was also attended by a representative of the OSCE Mission to Montenegro. The total number of participants was 35.

The conference was honoured by the participation of Mr Mevludin Nuhodžić, Chair of the Security and Defense Committee, Head of the Delegation of Montenegro to the NATO PA and Member of the Committee on International Relations and European Integration in the Parliament of Montenegro.



Ms Iva Čondić-Jurkić, Ph.D., Zagreb Institute of Economy.

Activity Description and Content

The conference was comprised of presentations and follow-up discussions on the macroeconomic and financial situation in the SEE countries, the role of transparency in defence spending and the experience of other European countries in coping with the crisis.

The opening addresses were given by Mr Mevludin Nuhodžić, Member of the Montenegrin Parliament, Mr Savo Milašinović, representative of the Montenegrin MoD and Ambassador Branimir Mandić, Director of RACVIAC.

This session was followed by the beginning of the working part of the conference.

The first presentation “Macroeconomic Framework in SEE countries: Recent Developments” was delivered by Ms Iva Čondić-Jurkić, Ph.D., Zagreb Institute of Economy.

This was followed by a presentation on the “Financial Transparency of the Security Sector – Increasing Support Through Openness: Public Perspective”, given by Mr Arjan Dyrmishi, Institute for Democracy and Mediation, Tirana.



Mr Arjan Dyrmishi, Institute for Democracy and Mediation, Tirana

The third presentation entitled “Development of the Western Balkan Economies in the Post-crisis Period: What Can We Expect from the Policy Makers?” was delivered by Mr Mihajlo Djukić, MA, Institute of Economic Sciences, Belgrade.



Mr Mihajlo Djukić, MA, Institute of Economic Sciences, Belgrade

The next and the last presentation “Experiences in Response to Economic Crisis and their Impact on Security Sector - Comparative Analysis of European Countries” was delivered by Mr Davor Ćutić, M.Sc., Senior Expert, Croatian MoD.

These presentations, revealing the current economic status of the SEE countries as well as the necessity of a transparent allocation of defence budgets, were followed by national insights on some of the crucial issue, such as the issue of fulfilling defence obligations through constantly low defence budgets.



Mr Davor Ćutić, M.Sc., Senior Expert, Croatian MoD

General remarks

In 2008, the economic and financial crisis has hit the entire Europe, and well beyond. In addition to the crisis, the SEE countries had to tackle major structural changes amid the transition processes. Still, nowadays they can speak about considerable results achieved in this regard.

However, the SEE countries have generally been faced with severe economic and financial crisis, unfinished transition processes and demands and efforts in the context of European and Euro-Atlantic integration.



Panel discussion

Besides the security sector, other public sectors such as health care, education, research sectors have endured the negative consequences and influences of the economic crisis. In the time of crisis all of these budgets are curtailed and the security sector is yet another “victim” in this regard.

Consequently, the security sector remains one of the prominent targets of transition and one of the prominent factors in the process of integration, with its hands tied in the existing economic and financial circumstances. The defence and/or security sector have to meet the constitutional demands and basic national interests, as well as the demands deriving from the national decision to commence the integration process. Thus, it is evident that defence budget/s should be higher.

When looked at more closely, it turns out that the issue is rather complex and strategic in its nature.

Moreover, defence/military capabilities have a direct influence on the defence system development and organization, as well as on the structure of armed forces. In the environment of rationalization and restructuring, the reality is that the Ministries of Defence and Armed Forces (or, more precisely, the country itself) have to give up on some capabilities that are no longer affordable and/or sustainable. However, they should retain those capabilities that are crucial for meeting national needs and international obligations, for once you have lost them, you have lost them (virtually) forever. And that is more of a national matter than merely a matter within the purview of the defence sector.

The issue of how to harmonise defence needs and obligations with the existing shortages on all levels, has unfortunately remained only at the level of theoretical discussions.

Furthermore, RACVIAC has acknowledged that the concept of pooling and sharing of defence capabilities as well as NATO Smart Defence concept are top priorities in addressing defence and security issues in the SEE, the ones that have had considerable impact on the financial crisis and defence budgets in the SEE and the rest of Europe for the past four years. Practically none of the European, and certainly none of the South East European countries are able to maintain the full spectrum of defence capabilities autonomously. Consequently, defence resources management calls for better coordination of efforts among the countries in order to accomplish national tasks with fewer resources and at the same time fulfil international commitments.

Consequently, and being fully aware of the complexity and importance of the subject matter addressed during the conference, discussions with the Montenegrin co-organiser were held in the direction of another event of the similar kind that could be jointly organised in Montenegro in 2013.

Compiled by: RACVIAC SSR Pillar

¹ Turkey recognizes the Republic of Macedonia with its constitutional name.