

POST-COMMUNIST EVOLUTION OF DEFENCE SPENDING IN NATO COUNTRIES

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Abstract: *After the Allied victory in World War II, Europe was divided into two spheres of influence, according to geographical criteria. The Eastern Bloc, the area of influence of the Soviet Union, adopted the communist regime, promoted by Moscow. The communist regime has been replaced in all Eastern Bloc countries since 1989. Fourteen of these countries, no longer under Moscow's influence, have joined the North Atlantic Treaty Organization since 1999, the world's strongest military organization. These fourteen states represent three former members of the USSR, Estonia, Latvia and Lithuania, four former members of Yugoslavia, Croatia, Montenegro, Slovenia and Northern Macedonia, and seven other states, namely Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. How has the allocation of defence resources in the fourteen NATO countries evolved since the fall of communism and the exit from Moscow's influence? We try to answer this question by studying the literature in the field of research and by processing the information provided by the Stockholm International Peace Research Institute. This study aims to analyse at the level of each country the differences in approach to defence spending from the adoption of the capitalist system, until obtaining the status of NATO member country. Also, this study analyses the evolution of defence spending after joining NATO, to see how the defence budget has been influenced by NATO membership. Special attention will be paid to Romania, the second among the fourteen countries in terms of army size and defence allocations, a country in which the anti-communist revolution has been more violent than in other states. Romania's accession to NATO in 2004 was one of the most important moments of the post-communist era, of equal strategic importance with the accession to the European Union. The Romanian military is respected within the Alliance due to its professionalism and dedication to the values promoted by NATO, currently participating in international missions in theatres of operations.*

Keywords: *military; spending; NATO; post-communist; Eastern Bloc; defence.*

JEL Classification: *H83; E60.*

1. Introduction

Defending the country, ensuring public order and peace and the existence of elements belonging to national security are needs of a national state, sovereign and independent, unitary, and indivisible. By allocating financial resources for the development and improvement of the military structures, in this case by allocating budgets for defence spending, the security of a country's citizens is increased,

because they feel protected. Ensuring the state of normalcy is fulfilled by the Government, being a duty towards the citizens. This state of normalcy requires the non-stop operation of institutions that are particularly important to any country, especially to a member of the North Atlantic Treaty Organization. By the people responsible for ensuring the state of normalcy we mean those citizens that we can call “antibodies”, because they intervene when the country is attacked. These “guardian angels” through their difficult and dangerous jobs risk their lives for the good of other citizens. Usually, military expenditures are considered as consumption of GDP, unproductive expenditures. Viewed from this angle, they must show a downward trend, which already exists in many states. It is important to note that the level of these expenditures also depends on international factors. These factors are not always conducive to reducing defence budgets. The largest reduction in military spending in the world was recorded after the end of the Cold War. After the collapse of the USSR, with the end of the Cold War, fourteen countries that were under the influence of Moscow, even former states that were part of the Soviet Union and the Warsaw Pact, opted for the military alliance based in Brussels. The North Atlantic Treaty Organization is the strongest military alliance in the world, with thirty member states. The fourteen most recent states that have joined NATO are those that have had communist regimes and are the subject of this study.

NATO is the most successful political and military alliance in modern history. It remains an essential contributor to peace, security and stability in Europe and North America (Olsen, 2020). The shift to “deterrence and defence” allows NATO to demonstrate full relevance as a defence actor facing a peer competitor that must be deterred or, if need be, militarily defeated (Tardy, 2020). The Alliance meanwhile performs substantial multifaceted operations, covering the full spectrum of crisis management operations – from combat and peacekeeping to police training and humanitarian assistance (Mayer, 2011). The Czech Republic, Hungary and Poland were the first three former communist countries to join NATO, in 1999. The second wave of post-Cold War enlargement represented the accession, in 2004, of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. The accession of the seven countries in 2004 was the biggest wave of strengthening the Alliance in its history. Albania and Croatia gained NATO membership in 2009 and Montenegro in 2017. North Macedonia represents the state with the most recent accession in the Alliance, on 27 March 2020 it became NATO’s 30th member. This study will analyse the fluctuations in the allocation of financial resources for defence in each of the fourteen NATO members in which there were communist regimes. The analysis will focus on the implications of joining the North Atlantic Alliance, in the sense of observing the evolution of budgets during the pre-accession and post-accession to NATO. Special attention will be paid to observing the evolution of defence spending in Romania, from 1990 to 2004, when the country joined NATO. Also, budget allocations will be analysed after 2004, to see how the defence budget was influenced by NATO member country status. Romania is an important force within NATO, due to its professional army, which participates in international peacekeeping missions under the auspices of NATO, but also due to its strategic geographical position. Romania is the second country among the fourteen analysed according to the defence budget.

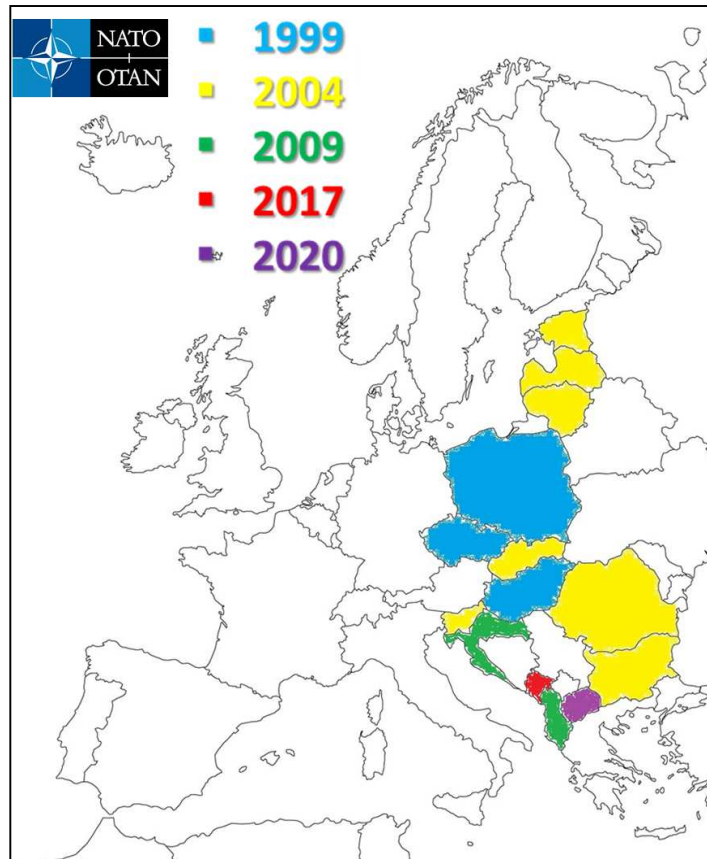


Figure 1: Former communist states and years of joining NATO

Source: author's compilation based on information provided by www.nato.int

As a recognition of Romania's position within the alliance, Mr. Mircea Geoană became NATO Deputy Secretary General in October 2019. He occupies the second most important position in NATO, after Mr. Jens Stoltenberg, who is the current NATO Secretary General. Mr. Mircea Geoană is the first Deputy Secretary General from a country that joined NATO after the end of the Cold War.

2. Theoretical Background

The level of public spending differs from country to country and from period to period, depending on the multitude of public and economic tasks assumed by the state (Florișteanu, 2008). Within the public needs, the defence needs of the country represent those public needs of the state that it forms in connection with its mission, according to its own military doctrine, to defend its independence, integrity, and

sovereignty (Florişteanu, 2007). The role of key factor in promoting and protecting national security values, interests and objectives, as well as counteracting any type of threat or aggression of a military nature, by using specific action modalities of armed struggle, gives national defence fundamental values in Romania's general security context (Udeanu, 2012). This thesis elaborated by Mr. Udeanu applies to all NATO countries. In recent years, the global economic and political context has influenced the organization and functioning of national armies; it is not an influence on the volume of necessary expenses, but it is an orientation towards an army "less numerous and more professional" (Marinescu, 2009). The need to monitor public sector performance is undeniable (Mihaiu, 2015). The preparation of the defence budget presents unique challenges, which are not found in the preparation of other types of budgets (McCaffery & Jones, 2004). Direct defence expenditures concern the maintenance of the army in the country and on foreign territories, expenditures for the maintenance of the air and sea fleet, expenditures for the purchase of armaments, military equipment and means of subsistence, expenditures incurred in waging war (Matei et al., 2007). NATO's headquarters are in Brussels, and the Alliance has a very close relationship with the European Union. NATO and the European Union have the same core, consisting of the twenty-one common countries, which represent 78% of all EU states and 70% of all NATO member states. The six non-NATO member countries of the European Union are Sweden, Cyprus, Ireland, Austria, Malta, and Finland, with which the Alliance works very productively. In turn, the European Union also has a close relationship with the nine non-member countries of the Union, namely the United States, the United Kingdom, Canada, Norway, Iceland, Turkey, Albania, Montenegro, and Northern Macedonia. NATO and EU officials meet on a regular basis at the level of foreign ministers, ambassadors, military representatives, and defence advisors to discuss issues of common interest (Græger & Haugevik, 2011). The US presence in Europe also weakened the need for Europe to equip itself defensively. The US presence has developed a complex of Euro-Atlantic institutions and procedures, in which the EU's defensive policies are internationalised (Demetriou, 2016). Trump's language on NATO has been unusually direct but his main message aligns with a long-standing American position – that the European allies need to do more in order to earn America's protection (Ringsmose & Webber, 2020). The fourteen former communist states in NATO make up 47% of the total membership of the Alliance, so it is a force on which the organization can always rely. A number of six of the fourteen former Eastern Bloc states, currently NATO members, aligned to USA's demand of allocating 2% of GDP for the military field. These countries are Romania, Bulgaria, Estonia, Latvia, Lithuania, and Poland. In a democratic environment, there are cases of consensus for the adoption of a certain program, as was the case for the allocation of 2% of GDP to the army budget, for a period of 10 years, starting with 2017 (Mardale, 2017). The thesis exposed by Mr. Mardale refers to Romania.

3. Methodology

The general purpose of the research is to evaluate the evolution of the military expenditures in the fourteen countries that had communist regimes and joined

NATO afterwards. This study will focus on the implications of joining the Alliance, in the sense of observing the evolution of budgets during the pre-accession and post-accession to NATO. Countries will be treated separately depending on the year of joining the Alliance. The study is based on the processing of information provided by the Stockholm International Peace Research Institute (SIPRI), an independent international institute dedicated to research into conflict, armaments, arms control and disarmament, established on the basis of a decision by the Swedish Parliament. SIPRI Military Expenditure Database provides information on the defence expenditure of all countries in the world, from 1949 to the present, in terms of budget allocation, share of GDP and allocation per capita.

4. Results

The fourteen states studied spent more than \$ 30 billion on defence in 2019. In 1999 there was a premiere in the history of NATO, being the year in which three countries, former members of the Eastern Bloc, also former members of the Warsaw Pact, joined the organisation. Poland, the Czech Republic, and Hungary were the first ex-communist states to join NATO.

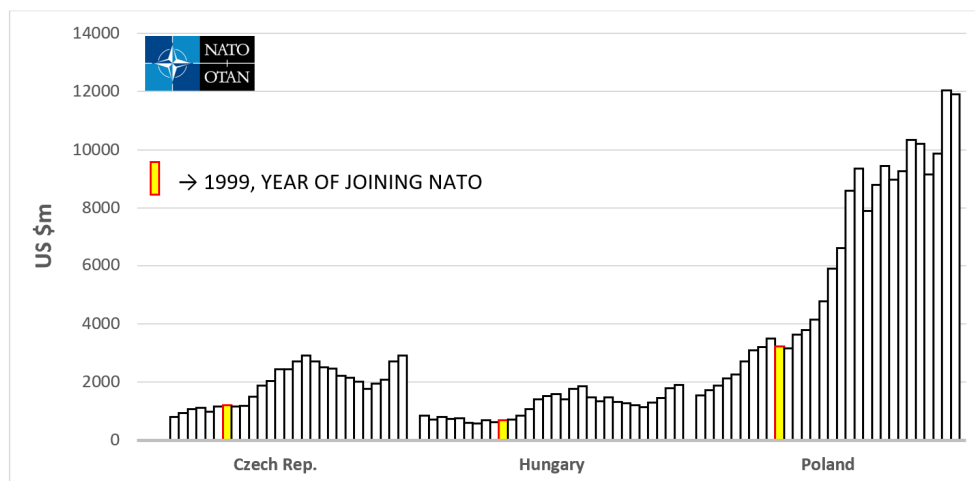


Figure 2: The evolution of defence expenditures in Czech Rep., Hungary, and Poland

Source: author's research based on information provided by www.sipri.org

Poland ranks first among the fourteen countries in defence allocations in 2019, with \$ 11.9 billion, representing 2% of GDP. Hungary and Czech Rep. allocated only 1.2% of GDP in 2019 for defence, representing \$ 1.9 billion and \$ 2.9 billion. In Poland and Hungary there were peaceful revolutions against the communist

regimes in 1989 and the transition to democracy and capitalism took place in good conditions.

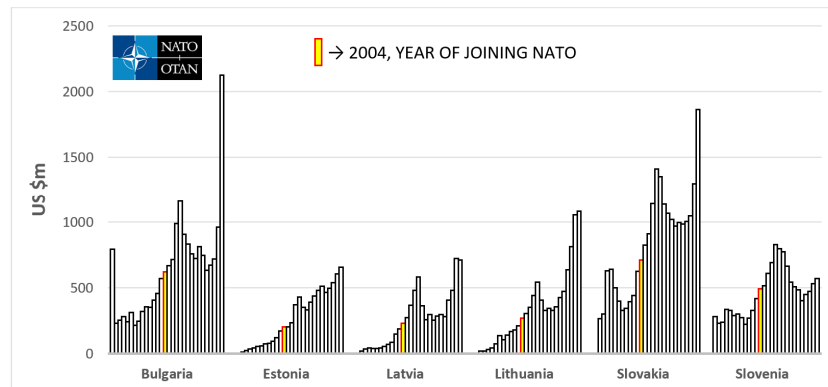


Figure 3: The evolution of defence expenditures in the Baltic states, Bulgaria, Slovakia, and Slovenia

Source: author's research based on information provided by www.sipri.org

In Czechoslovakia, the revolution was named “the Velvet Revolution” because it was a non-violent transition of power. Czechoslovakia was transformed in 1992 into the Czech Republic and Slovakia, and both states created their own armies. Rather, transformation may happen at different moments and at different paces: it is obvious that for the Czechoslovakian army, 1992, the year of the state's disintegration, had a more significant impact than the ideological and systemic turnaround of 1989 (Kührer-Wielach & Lemmen, 2016). As for the Czech Republic's defence spending, it remained constant from 1993 until the country's accession to NATO, then gradually increased, until 2008, when the all-time high of \$ 2.92 billion was recorded. As share of GDP, the Czech Republic reached its maximum level in the years of pre-accession to the Alliance, with an average of 1.9%, almost maintained until 2005, and since then there has been a decrease, the average percentage being 1.2 for the period 2006-2019. Referring to Hungary's budget for the military, it remained unchanged between 1990 and 2001, the NATO membership having no budgetary impact. Regarding the observance of the principle of allocating 2% of GDP for defence, Hungary does not align with the USA's requirements, having an average of 1.1% for the period 2006-2019. The Czech Republic and Hungary have professional armies that the North Atlantic Alliance has been able to rely on for the last 21 years. Poland is NATO's most important force in the Eastern Bloc. This is the largest country in terms of population and territorial area among the fourteen. Poland's defence budget increased gradually from 1990 to 2003. Since 2004, defence allocations have grown exponentially in Poland, reaching a peak of over \$ 12 billion in 2018, representing 8 times the 1990 budget and 3.72 times the 1999 budget. Poland remained firm in the post-communist period in terms of the percentage allocation of GDP for defence, with an average of 2% for the period 1990-2019. So, the exponential growth of the army budget was due to the economic

growth of the country, because the share of GDP remained constant annually. Poland, because of its history, understands the importance of a strong, modern, and professional army and acts accordingly. The second wave of NATO accession of former communist countries was recorded in 2004, being the largest in the history of the organization, with seven new member states.

The Baltic states were member states of the Soviet Union, until 1991. At the level of these countries we can see the same gradual increase in defence budgets until the year of NATO accession, probably this increase is due to the needs of the armies of the Baltic countries to join the level of performance and professionalism imposed by the Alliance. The three countries are the only NATO countries bordering Russia and the only ones that were members of the USSR..

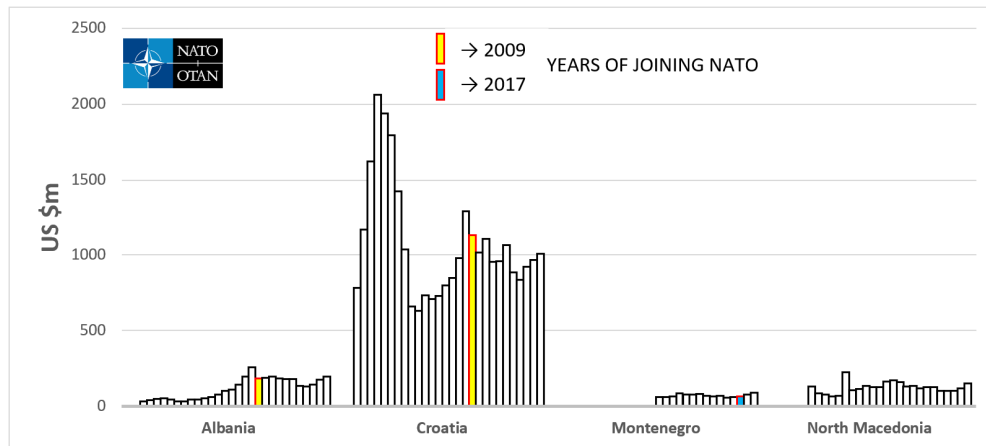


Figure 4: The evolution of defence expenditures in Albania, Croatia, Montenegro, and North Macedonia

Source: author's research based on information provided by www.sipri.org

Due to their strategic position, especially after 2004, they opted for the categorical increase of the resources allocated for the development of military structures, Estonia reaching from 205 million dollars in 2004 to 656 million dollars in 2019, Lithuania reaching from 270 million dollars in 2004 to over 1 billion dollars in 2019, and Latvia reaching from 229 million dollars in 2004 to 709 million dollars in 2019. In 2019, the Baltic countries occupied the first three positions among the fourteen in terms of defence expenditure per capita, Estonia having 494 US \$ spent, Lithuania 392 US \$ and Latvia 372 US \$. As share of GDP allocated to defence, Estonia has met the 2% requirement since 2015, and Latvia and Lithuania only since 2018. Bulgaria, in 2019, allocated a defence budget 2.2 times higher than in the previous year and 3.4 times higher than in the year of joining NATO. Bulgaria's defence budget of 2019, in this case 2.1 billion dollars, represents 3.2% of GDP and 8.4% as share of total government spending, ranking first among the fourteen to these criteria. Bulgaria's allocations increased slightly from 1991 until after accession, and after 2008, then declined slightly. It is gratifying for the Alliance that

a country in the former Eastern Bloc decided to allocate 3.2% of GDP for defence in 2019, being close to the USA's level, which is 3.4%. Slovakia has been developing its own army since 1992, when Czechoslovakia fell apart, with significant investments from 1995-1996. Since the pre-accession year, there has been an upward trend, reaching the level of 1.4 billion dollars in 2008. The highest value allocated for defence was in 2019, over 1.8 billion, representing 1.8% of GDP. These very large allocations in 2019 in the case of Bulgaria and Slovakia may be due to the pressure exerted by President Donald Trump on the allies. Slovenia is the first country from the former Yugoslavia to join NATO. Because the country only had its own army since 1991, the information regarding the defence budgets provided by SIPRI starts from 1992. It should be noted that Slovenia peaked in 2008, and since then spending has been on a downward trend. Slovenia allocated only 1.1% of GDP for defence in 2019, ranking last among the fourteen countries. In 2009 Albania and Croatia joined the Alliance, in 2017 Montenegro and this year Northern Macedonia, the last three being former members of Yugoslavia.

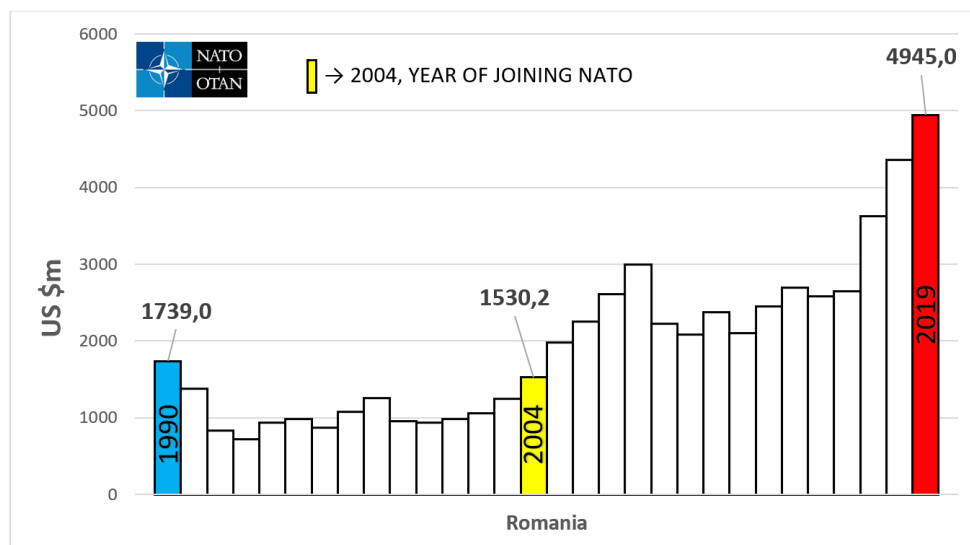


Figure 5: The evolution of defence expenditures in Romania

Source: author's research based on information provided by www.sipri.org

Defence spending remained somewhat constant in the case of Montenegro and North Macedonia. Montenegro has recorded an average of \$ 70 million annually since its declaration of independence in 2006, representing 1.7% share of GDP. North Macedonia is the newest member within NATO and spent an average of \$ 123 million annually for the army since 1996 until the year of pre-accession. Albania was the first state that withdrew in 1968 from the Warsaw Pact. Albania had poor allocations in the first years after the communist regime, then registered an increasing trend in the years of pre-accession and reached a plateau. The Government spent \$ 197 million for the military in 2019. Croatia has allocated the

most funds for the endowment of the army in the first years after the establishment of democracy, to form its own strong military, given that the country has seceded from Yugoslavia. The funds spent annually during 1993-1999 exceed the 2019 budget, which represents over one billion dollars. Croatia made available to the army 11.1% of GDP in 1994, compared to 1.7% in 2019. The most violent anti-communist revolution took place in Romania in December 1989. Romania joined NATO in 2004 and became a member of the European Union in 2007, being the most important moments in the country's post-communist history.

Romania has allocated over \$ 58.4 billion for defence in the post-communist period, with a constant level of annual budgets until the year of accession, 2004. After gaining NATO membership, Romania had to implement investments and reforms in the military to meet the performance standards imposed by the Alliance. The budget allocated in 2019, which ranks the country on the 2nd place among the 14, after Poland, is 3.2 times higher than the one provided for 2004 and reaffirms the fact that the politicians who lead the country are aware of the need for a strong military, lately Romania developing especially the Air Force and Naval Forces, which were deficient. As share of GDP, Romania has an average of 3% during the pre-accession period and 1.5% after 2004, for 2019 managing to reach the level imposed by the American allies, of 2%. As share of total government spending, Romania registered an increasing trend starting with 2010, reaching from 3.3% to 6.1% in 2019, which ranks the country on the 2nd place among the 14, after Bulgaria. Considering the expenses for defence per capita, Romania registered an average of \$ 93.7 per year, with a maximum of \$ 255 in 2019. Romania's GDP for 2019 was \$ 249 billion, according to the information published by the World Bank and by comparison, Romania's GDP represents only 34% of USA's total defence expenditures for the same year. However, Romania is a reliable strategic partner for the North Atlantic Alliance.

5. In conclusion

The fourteen countries that had communist regimes and joined NATO represent 47% of the total number of member states and form the eastern border of the North Atlantic Alliance. The military spending of the NATO countries from the former Eastern Bloc amounts to 30 billion dollars annually, so their armies are reliable for NATO, due to their professionalism. The fourteen states represent a strategic force within the Alliance. The evolution of the defence expenditures of the Eastern Bloc countries has, as a rule, experienced an increasing trend after the collapse of the communist regime, to meet the standards imposed by NATO to join the organization. After years of joining the Alliance, most countries have continued this growth trend, especially to make their armies compatible with the other 16 NATO member states, as they have participated in numerous joint missions in international theatres of operations. It is also gratifying that 6 of these countries allocate 2% of GDP annually for defence, resulting in their desire to assert themselves within NATO forces.

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