

## THE IMPORTANCE OF THE ECONOMIC FIELD IN MODERN POLITICAL WARFARE. CASE STUDY: NATO EASTERN FLANK MEMBER STATES

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*The aim of this paper is to present the importance that the economic field has in the concept of modern political warfare. Correlating the economic field with that of geopolitics and security has become a variable that NATO member states can no longer ignore.*

*Using the descriptive analysis method, we aim to show the importance that economic policies have in influencing the political and strategic regional landscape, and have chosen the Eastern Flank countries to do that. We plan to test this theory by studying three major areas in economic policies that we consider have impacted the security and defence landscape in recent years.*

*The first area is defence expenditure, the second one is fiscal policies and the third one is energy policies. Recent security events have fundamentally changed the European Union green energy policies and objectives. Some of them have been postponed, others replaced, therefore, we seek to analyse the way in which European states on the Eastern Flank mitigate through these rising issues, in terms of both the energy field and the correlation of energy policies with the other ones.*

*Keywords: capabilities; resource management; energy security; defence expenditures; economic policies;*

## INTRODUCTION

China's and Russia's activities in the last two decades, culminating with the Ukraine invasion and the Taiwan crisis, have demonstrated that, unlike Western civilisation, these two global powers have treated the political, military and economic domains as a whole, not separately, as the European countries and the United States have. Correlating these three fields has been analysed in specialised literature and described as a new concept of the defence spectrum, that of *modern political warfare* (Robinson et al, 2018). The importance of the economic field in applying security and defence policies remains a vital one. Economic instruments available to strengthen the security level are multiple and will be explained throughout this paper in three separate chapters. We aim therefore to observe if, for a category of states, we can state that in the end correlating economic and defence policies becomes a fundamental objective for their own overall national needs and goals. We have chosen for this analysis a group of states on the Eastern Flank, which are: Romania, Poland, Lithuania, Latvia, Estonia, Bulgaria, Hungary, Slovakia.

The invasion of Ukraine by the Russian Federation is just another impactful event on the European continent in the past three years. The pandemic that started in 2020 and surged in 2021, with all its effects, the increased inflation, as a result of both pandemic measures and energy policies at the European level, triggered a difficult economic situation for all European states. The group of states representing NATO's Eastern Flank are under extra pressure with the start of the Ukraine war and the new security threats looming over them. All these economic effects started during the pandemic represent a paradigm shift in the way European states are forced to manage their resources.

The pandemic and its economic effects, as well as the war in Ukraine have brought about a shift in resources management for European countries. Over time, specialised literature has determined the difference between soft and hard power as models for influence of other states. We consider that today these models intersect, the concept of political modern warfare demonstrating the importance of economic policies used for guaranteeing increased security.

In order to test the hypothesis of the current paper, according to which Eastern Flank member countries are forced to adjust their economic policies in accordance with their military policies in order to adapt with the modern political warfare we went ahead and described some of the main characteristics of this concept as follows:

- a. Non-state actors gain a major role in problems related to national and regional security.
- b. The informational resources gains a vital importance, perceptions being more relevant than concrete information.
- c. Economic policies become an important leverage instrument, especially for developed states.
- d. Modern political warfare exploits different minorities from religious to ethnical ones.
- e. Modern political warfare replaces traditional warfare in a sense that it accomplishes the objective of the latter with lesser costs (Ibid.).

In this paper, we will address the role of the modern political warfare as described at para c). The paper plans to follow three separate economic policies in key areas therefore we will present those three economic domains in the following.

The first area of study is that of military defence capabilities, which has become vital for the Eastern Flank countries who need to rethink its military objectives and strategies in correspondence with the new risk and threats represented by Russia's aggressive stunt against western democracies.

The second chapter will focus on how Europe has to change its financial strategies dealing with an economic crisis that has several points of inflexion, multiple causes and needs to be treated different from region to region.

Finally, we aim to look at the way European energy policy will change, as Europe needs to take measures and end partnership relations with Russia, which played an important part as a energy supplier to Europe, but whose values can no longer be shared, given the multiple theatres of war or combat in which Russia plays a direct or indirect role, in countries like Belarus, Armenia, Syria or Kazakhstan.

## RESHAPING MILITARY RESOURCES IN EUROPE

The first chapter aims to focus on the military resources and the different alignment of military capabilities that will follow the Russian invasion in Ukraine. As it can be seen in *figure no. 1*, the defence and deterrence capacity for countries on the Eastern Flank had already started to be increased starting with March 2022. All three Baltic States would benefit from air power capabilities, increased number of allied troops present in the country as well as increased national support. Countries like Poland and Romania would also increase the presence of allied troops, while countries like Slovakia and Poland would benefit from air defence capabilities. Allied troops would also increase their presence in countries like Bulgaria and Hungary, while a permanent capability of air patrol and surveillance would operate on the Eastern Flank 24/7.

Following the NATO Summit in Madrid, starting with June 2022, the allied presence on the Eastern Flank would increase further. Compared to March, besides Poland and Slovakia, Romania would also benefit from an air defence capability, while in the group of Baltic States, Latvia would also be host to such a capability. Overall allied troops would increase in each of the countries from the Eastern Flank as well, while the 24/7 Patrol and Surveillance Capability on the Flank would be enhanced with the presence of other with the USAF Grumman RQ-4B Global Hawk (Gaston, 2022).

As it can be seen in *figure no. 1*, the presence of all NATO member states in the allied troops enhancing Defence and Deterrence Capacity on the Eastern Flank represents a demonstration of unity and support against the risk and threats represented by the Russian Federation. In full numbers the presence of Allied Troops following the Russian Invasion of Ukraine would mean around 22,000 troops under NATO command, over 100 combat aircraft on alert and over 120 ships at sea, including 3 carrier strike groups.

While this show of strength has meant an increase of Security for countries on the Eastern Flank it has also meant an increase in other resources like the logistics one, that have had to be adapted to the new conditions of hosting fellow member troops on national territory. An example of this effort can be that of the Romanian bases in Cincu and Mihail Kogălniceanu where lodging and other infrastructure assets had to be quickly developed in order to accommodate besides the already present US troops, the French troops arriving in Cincu, as well as the France, Belgian, Italian, British or Canadian troops arriving in the MK base.

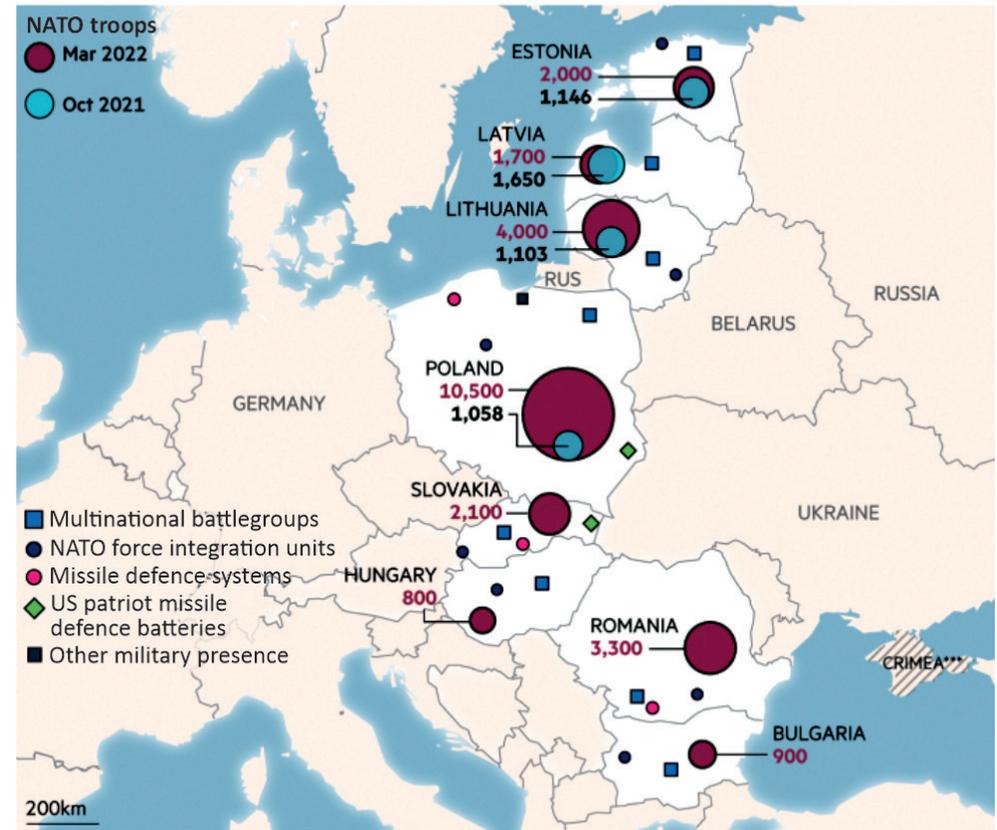
What should be taken into consideration is that the numbers presented in *figure no. 1* represent just an ongoing step in what countries like Poland and Romania hope to be a jump of an even greater military presence of allied troops on national host territories that would enhance these countries and overall, NATO's capacity to respond to any further risk and threats that might come from the East, especially from the Russian Federation.

The countries on the Eastern Flank have of course to adapt their national defence planning strategy in order to respond to the new reality that they face following February's invasion of Ukraine.

**NATO scales up its eastern defences**

Number of NATO troops\* and key headquarters

40,000 troops under direct NATO control\*\* (4,000 troops Oct 2021)



\* As of Mar 21 2022 \*\* Does not add up to country amounts because cyber, space and air/naval not included  
\*\*\* Crimea is annexed by Russia but is not recognised by the international community  
Source: NATO Cartography: Liz Faunce; Caitlin Gilbert

Figure no. 1: Increasing defence capabilities on the Eastern Flank following the War in Ukraine

To match up the military presence of allied troops on their territory and in order to be able to respond to the geopolitical reality of the new risks and threats on the Eastern Flank, the countries present here need to adapt their own military resources in order to better match the needed defence goals and objectives.

Trying to have an overview of the Eastern Flank of NATO, there are two areas of major interest that can represent a pivot in case of further military push from the East. For the Baltic States and Poland, that area of interest will be Baltic Sea and the Northern part of the Flank, an area where NATO has concentrated its efforts for several years. It is an area even Western European countries like Germany, Belgium, the Netherlands or France consider as a key element for European Defence and as *Figure no. 1* shows, a total number 20,000 allied troops are going to be present to defend this part of the Flank. That is to say, a number almost equal to the NATO responses present before the NATO Summit in Madrid on the entire Eastern Flank.

An area where NATO is starting to focus more its attention is that of the Black Sea Area. However in this area as we can see in *table no. 1*. Allied troops presence means just roughly 6,000 military personnel, while national troops represent 100,000 personnel, which is still less than the presence on the Northern part of the Flank that embodies 155,000 personnel.

Romania has therefore pushed in its agenda during the Madrid Summit for an increase in allied troops that would represent a security guarantee on the Black Sea. A reason for this demand is the fact that the Black Sea has become a vulnerable area as it can be seen in the war conducted by Russia in Ukraine, where the Serpent Island, a small island in the Black Sea has been the subject of many fights between the Russian and Ukrainian armies. The Montreux convention that enables Turkey to block military ships from passing the Bosphorus and entering the Black Sea creates another strategic reason for which the Black Sea and the countries residing it should have increased military capabilities in order to deter any potential attack.

NATO PRESENCE ON THE EASTERN FLANK		
	Allied Troops	National Troops
BALTIC SEA	20,000 troops	6,000 troops
BLACK SEA	155,000 troops	100,000 troops
Central EUROPE	2,000 troops	25,000 troops

Table no. 1: Allied/Host Nation Troops presence on the Eastern Flank

As mentioned earlier, the need for increased defence capacity in these countries has meant a sustained effort in managing resources, especially the financial resources. Therefore, the next chapter of this paper will try to answer how the European member states of the Eastern Flank cope financially with the need of increased security.

### MANAGING FINANCIAL RESOURCES IN THE CONTEXT OF THE RUSSIAN INVASION ON UKRAINE

In terms of the economic fiscal field, the European continent faces a complicated equation when managing the allocation of its financial resources. The Covid-19 Pandemic had already caused economic turmoil, with many activities being affected, halted or postponed and with a lot of artificial economic aid given in order to keep businesses on the market an increased inflation has surfaced starting with the second part of 2021. For European countries, this economic pressure was doubled by an energy crisis, with energy prices increasing following the Gazprom reserves being reshaped in the fall and winter of 2021. These pressures triggered social backlash in many European countries and the incoming war in Ukraine only made things worse as the European Union and NATO were forced to enter in an economic war with Russia, a country that supplies oil and gas to many European countries.

While the European Union has seen economic growth even through the pandemic, the war on Ukraine brought a massive change in economic perspective. Disruptions in global security including energy flows, fuelling of different resources increased pressures in commodities prices and raised social uncertainties.

For the countries on the Eastern Flank pressures grow even more as these countries are the first in line to take a hit in all key aspects, due to their geographical proximity to Russia and Ukraine. Of course, central and western European countries are also affected as Germany, Hungary or Austria heavily rely on imported fossil fuels from Russia.

In *Figure no. 2*, we can see the difference from the economic growth in 2021, when due to the pandemic economy was artificially sustained and subsidized, the already distress from 2022, when the economy was starting to feel the effects from the inflation and the projection from 2023 when the war is assumed to contribute to even more of a negative impact that might send the European Union into a recession.

The projection for 2023 needs to be taken into consideration combined with further pressure for European governments in increasing their defence expenditures. Starting with 2014, NATO has asked European countries to increase their defence budget to 2% following the Crimean Invasion and therefore the threat that the Russian regime had become for the entire European Continent. While countries on the Eastern Flank were dedicated to this increase, many western European countries did not feel an urgent need to make this adjustment. The war on Ukraine that started in March has led all European countries to rethink their defence budgets, even though as presented earlier in this chapter, economic pressure from other areas of impact does not leave much room for rethinking defence expenditures. Nevertheless, countries on the Eastern Flank like Poland or Romania have already assumed an increase in their defence budget of 3, respectively 2.5 percent of their national GDPs, an increase from the already dedicated 2% budget.

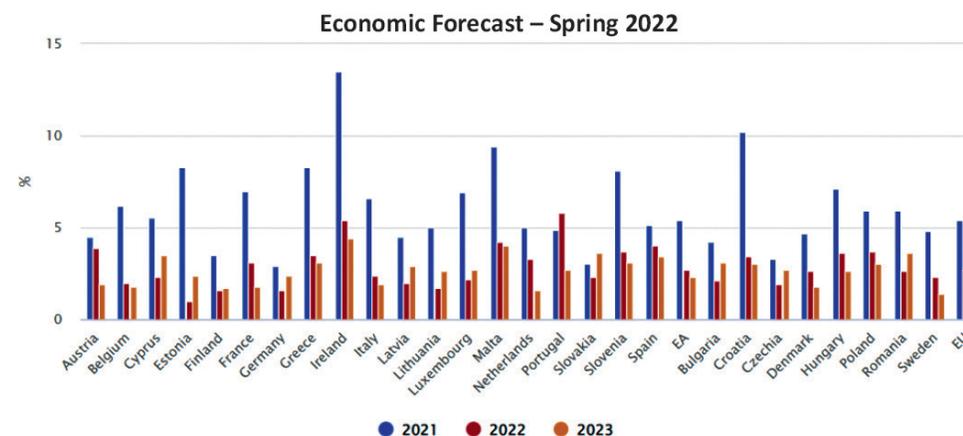


Figure no. 2: Economic Forecast following the Russian invasion on Ukraine

Latvia and Norway also have a desire to increase their defence budget, while Germany for the first time since the Second World War has approved a record defence budget of 100 billion Euros for 2022, and a projection to go above 2% of their GDP starting with 2023 (Mackenzie, 2022).

Two countries that are not yet members of NATO, but have taken a historic decision to join the alliance: Sweden and Finland have also decided to increase their defence budget to 2% of the GDP. It will be interesting to see what part Finland will play in strengthening the Eastern Flank of NATO. Interestingly, there is no announced

increase in defence budgets for countries like Hungary and Bulgaria, which are also part of the Eastern Flank.

The stock market (The Economist, 2022) has presented an overall increase in defence spending that has skyrocketed from January to March 2022, from an index of 100 to 140 for European Defence and from an index of 100 to 120 for US Defence.

The economic impact of these policies still remains to be analyzed as even though countries on the Eastern Flank have assumed increased budgets for defence, the question that appears, under economic pressure, increased inflation and a perspective of recession will Poland's 3% and Romania's 2,5% in 2023 be more than the same percentage in 2022 or 2021 or because of the projected decrease in economic growth will these countries actually have a smaller defence budget? Should they increase even more due to Russia's political and military stance or should they try and balance their economic policies in such a manner that it serves both their security challenges and financial challenges as well?

It is our aim to study this trend even further on a larger time frame and be able to answer these questions in a future study.

During this chapter, we have mentioned the dependency that many European countries have from Russian fossil fuels. We consider that the management of energy resources that has increased pressure on EU countries is beyond this dependency and is related also to the green deal agenda.

For this reason, we aim to discuss the impact of energy policies inside the EU in the following chapter.

### MANAGING ENERGY RESOURCES IN THE CONTEXT OF THE RUSSIAN INVASION ON UKRAINE

One of the biggest threats that Europe must deal with since the beginning of the war was in the energy security field that caused the acceleration of the transition to green energy alternatives with the purpose of ensuring energy security. But what exactly is energy security and why is it so important for European Union? More recent academic research has made an effort to broaden the definition of energy security to focus on the entire energy system, from the acquisition of primary energy resources to final energy consumption. It has been suggested that energy security includes more than just ensuring a reliable fuel supply; it also includes

ensuring that there is a reliable infrastructure in place to transport energy to the end user (Jones, 2017). Ensuring energy security, provides economic, social and military security since the threats that could occur from this sector are eliminated, creating a safe and stable society oriented towards growth and prosperity.

After the war in Ukraine began on 24 February 2022 (Kirby, 2022), the situation regarding Europe's energy stability changed drastically. The measures taken by the European Commission regarding the supply provided by Russia, brought the states of the European Union to a very vulnerable point. The two big perspectives that result from looking at this situation would be either consider the need for energy an occasion to help fasten the shift to green energy supplies and fulfil the purpose of the European Green Deal (EGD), introduced by the European Commission in December 2019 and that has a significant set of policies that addresses climate change and aims to provide a "just and inclusive" transition. Even if EGD has several flaws, including a lack of a vision for a fair, post-carbon economy for Europe, insufficient resources for achieving stated goals, and few means for implementation. Considering that in order to make Europe's production systems carbon neutral, a wider range of "green" industrial policies would be necessary, policies that would simultaneously address environmental sustainability, structural reform, and the equity of economic results in Europe (Pianta, 2020). Of course, this transition will be requiring huge investments in research and technology with the advantage of not relying on other non-European states that could procure the raw material, therefore reducing vulnerability.

Also, the second perspective would be to continue relying on the fossil fuel and struggle with raising prices that converts into economic, social and military instability, letting the international context shift the priority list of the European Union, going from a powerful vision on the future on reaching neutrality on the CO2 emissions, to a co-dependent actor unable of escaping the Russian trap. Of course, the European Union would not have let that happen and had to come up with alternative solutions to the problems that occurred from the break between the European market and Russia, that was in a position of power from this point of view at least in the beginning of the war.

The effects of Russia's invasion of Ukraine are still being felt by the world's resource markets; these two nations are important producers of petroleum, food,

and fertilizer. Commodity prices have soared as a result of supply disruption, the unexpected application of economic penalties, trade restrictions, and policy interventions in reaction to the crisis. For these long-term problems to be met, governments must make investments now to create resilient economies and societies. Policymakers place a high focus on minimizing the most serious short-term harms to people, but failing to consider long-term goals, such as reducing the effects of climate change, can result in poor choices that exacerbate already precarious social and economic systems (Chatham House, 2022). This attitude regarding the truly important security aspects that affects us all, not only a region, proves a lack of credibility in what regards the gravity of the climate-change problem. Still, the European Union is making a difference in comparison with other states that are fully concentrated on the causes and effects of the war and abandon the idea of finding new ways to reduce the pollution, letting their agenda affected by the events that suddenly and radically can change the life of a nation.

By not considering the activity of the states that are not putting effort into decreasing the CO2 emissions with greenhouse effect, the European Union is mostly on its own in the fight towards climate change. The urge to strengthen the production of armament and equipment needed on the front is only one more reason to pollute near the EU border and not only for a war which raises threats also in other security sectors, not only regarding the environment. To the pressure of the war near the border of the European Union, is added the pressure of having an energy crisis that slows down any process of transition to alternative energy supplies by raising the costs and causing inflation at an international level.

In conclusion, regarding the energy security sector, the war in Ukraine has clearly had a major impact on the way the priorities in this field are shifted along with everything else that implies a crisis in this sector. In the context in which the European Union is making efforts in the sense that it has clearly traced the values and future goals in what regards the environmental measures but has no support from other states that play a major role on the climate changes, as China, India or even the United States, the priority list has shifted by underlining the importance of the other sectors of security, primarily becoming the social security sector as per the wave of Ukrainian refugees that the European Union hosts during and after

the war, but also the military sector that falls within the competence of NATO, even though the ten point of the European Green Deal are still followed by the states especially by those willing to increase the quality of the people's lives.

## CONCLUSIONS

Testing the assumed hypothesis during the analysis done in this paper leads us to consider that member states on the Eastern Flank have managed to adapt to the modern political warfare with all the conceptual elements it brings to the table. Prioritizing military spending, understanding the need of correlating the defence and economic policies, postponing environmental decisions create the premises for countries that will follow the pattern of a mix of soft and hard power. Even with economic constraints due to the energy crisis and rising inflation, investing in defence remains a priority for these countries due to the risk and threats present in the region. Furthermore, these countries tend to increase their defence budget in times of economic crisis which represents a trademark for countries that have adapted to the model political warfare model. Other observations from our analysis are remarkable, beyond the pure testing of the hypothesis regarding the shift to this new conceptual model.

Neglecting the connection between the security, financial and political fields that all merge at some point has been a mistake that the western world should not make again. From dependency on fossil fuels from countries that do not share a democratic agenda, from depending on rare metals from countries that have a closed and non-democratic political regime, there are many options for lessons learned that both the EU and NATO should take into consideration. Continued presence on any geographical area where a member state of NATO or partner exists is another necessity. No member or partner state should be left alone, it should be helped to develop, strengthened and ready for deterrence over time.

Ultimately, we consider that regardless of how close they have adapted to the political modern warfare concept, membership for eastern European countries in alliances like NATO and EU are more relevant than ever and these institutions themselves should focus on the unity of the member states, create real strength in numbers, and build policies like those in the energy field for the future, while also maintaining an operational financial environment under the protection

of updated, well-adjusted security policies that are needed in the new reality that we live in. A divide has been created in recent years both externally in these alliances and internally inside the states. A shift of priorities should focus not just on a joint defence and economic effort but also on reducing division and increasing cooperation at internal and external level as a means of deterrence and sustainability against all current and modern risks.

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