



"HENRI COANDA"
AIR FORCE ACADEMY
ROMANIA



"GENERAL M.R. STEFANIK"
ARMED FORCES ACADEMY
SLOVAK REPUBLIC

INTERNATIONAL CONFERENCE of SCIENTIFIC PAPER
AFASES 2015
Brasov, 28-30 May 2015

ECONOMIC COOPERATION AND REVITALIZING THE NATIONAL DEFENSE INDUSTRY, DETERMINANT FACTORS IN STRENGTHENING THE FUNDAMENTAL NATIONAL INTERESTS IN THE EUROPEAN COMMUNITY AND NATO

Ovidiu-Gheorghe Moşoiu*

*Faculty of Aeronautical Management, „Henri Coandă” Air Force Academy, Brasov, Romania

Abstract: *The national interest focused on the development of the state's economy also includes national defense industry that can create dual-use products, civilian and military, into a European framework coordinated through European policies and strategies. Perhaps, the increase in budgetary allocations for the military (2% of GDP) can provide the context of retooling this industry and also rip up orders required for specific production. During this process, the cooperation inside EDA and NATO as well as adjusting the production to the actual requirements of the weaponry common market will play an important role.*

Keywords: *national interest, national economy, national defense industry, European and national economic policies, business/companies, industrial-technology parks, technology, retooling.*

1. INTRODUCTION

Romania, member state of the most powerful political and military organizations, is geographically located in an area where stability is always questionable and neighbors from the east are now in a state of conflict generated by the policy pursued by Russia, a strong country from the military point of view, with democratic demands, but which has unsolved issues with many former partners from the former USSR. Romania owes to a policy of good neighborhood, stability and cooperation regarding the implementation of NATO's and EU's similar policies, being interested in having democratic, stable and flourishing states in its proximity. Given the current regional security, national interest is

focused on ensuring the national security in the ally context, but also on the developing the national economy, increasing internal stability, providing jobs for the population, well-being and economic growth, protection and social inclusion applying the National Strategy of Sustainable Development, EU 2020 Strategy and common European policies. These desiderates can be achieved through existence and continuously manifestation of fundamental national interests related to good governance and efficiency of public administration at all levels and the effectiveness of the fight against corruption of specialized state bodies which took over most of the politicians, magistrates or other social categories, people who should represent us and be the society's role model.

Sustainable economic development and healthy is a priority at national level and at the same time in all government programs. Romania should make an effort to reassemble existing gaps towards Western European countries, by implementing all the principles of market economy and free competition within the internal/common European market. In these circumstances it can attract foreign investments that can generate jobs, people can build their future in the country, it can stop the massive emigrations and poverty and it can create welfare by increasing the number of persons belonging to the middle class, this way achieving a social balance. Investments in education, health and research in the European framework created by Horizon 2020 program may bring hope of revival to Romanian economy.

Within national economy, a very important element is the national defense industry that can create dual-use products, civilian and military, in a coordinated European framework of European Defense Agency (EDA), thus overcoming the uncertainty and provisional state which this country is currently in. Perhaps, once budgetary allocations for the military increased (2% of GDP), the conditions of modernizing this industry and also the necessary commands for particular production will be provided. During this process, cooperation within EDA and NATO as well as production adjustment to the actual common weapons market requirements will play an important role.

2. FEATURES OF THE RELATIONSHIP BETWEEN POLICIES AND COMMUNITY ECONOMIC STRATEGIES WITH NATIONAL ECONOMIC POLICY

Through “Orizont” 2030 project, Romania will allocate a considerable amount from its budget for development assistance, taking into account the implementation of Community cooperation policies for development, regarding the support of all EU initiatives.

The European Union is interested in the proper running of the economic system

created, and on a long-term, prosperity of the Member States depends on the quality of the industrial base. Strengthening the real economy involves maintaining and developing the services and goods providing companies necessary for the progress of the society and the wellbeing of the European citizens. Furthermore, overall EU industrial policy aims to stimulate economic growth and bring at the same level the industry performances of the member states, relying on his advanced technology available in most sectors.

According with the Europe 2020 strategy "for a smart, sustainable and favorable for inclusion growth" EU consider creating a new industrial revolution that aims to implement innovative technologies, create jobs and improve competitiveness, in the context of some realities that could affect the process, namely to reduce energy sources and raw materials, aging European population or climate changes that affects the environment and people in general.

An important feature between European and national economic relations is that the EU, through European Commission, represents the international interests of the member states, including the economic field, ensuring participation on global trade, in favorable terms, as a result of the opening of global markets. EU Commission also seeks the competitiveness level of European industry by developing a biennial report on structure and industry productivity analysis. Coordination at European level, of the environment in which companies develop their business activities, maintain opportunities for economic growth, employment and wellbeing in the context that most European companies tend to integrate into global value system.

The European forums manifest increased attention for development and access financing IMMs and entrepreneurship because they provide more than 65% of total employment, participating substantially to GDP.

European industrial policy provides measures to support the internationalization of companies, innovation and the single market.

A major importance in facilitating exports have technical regulations for manufacturing of products being exported, promoting



"HENRI COANDA"
AIR FORCE ACADEMY
ROMANIA



"GENERAL M.R. STEFANIK"
ARMED FORCES ACADEMY
SLOVAK REPUBLIC

INTERNATIONAL CONFERENCE of SCIENTIFIC PAPER
AFASES 2015

Brasov, 28-30 May 2015

harmonization and compatibility of technical regulations for the mutual recognition of assessments and conformity tests. These things see their usefulness when it comes in question the clusters, which are based on materials of the same class of use, and aimed complementarity in the use of final products, which is very important in the weapon industry and military equipment at European and Euro-Atlantic level.

In order to consult trade partnership between stakeholders (various enterprises or national clusters of EU State Members'), the European Commission launched international contacts throughout specially established structures such as the Transatlantic Consumer Dialogue and Transatlantic Business Dialogue, and various structures between the EU and third parties in the world. This has a major positive effect for both civil and military industrial cooperation among States Member, alleviating their work.

Rules set by the Single Market are the same for all companies of State Members, increase transparency and create a proper framework for fair competition. Common economic policies, applicable throughout the Union, come to reinforce the need for cooperation in various fields within the European Economic Area. The single market represents that area without frontiers of the 28 state members, in which people, capital and businesses have freedom of movement and becomes an open space where competitiveness and innovation are encouraged and legislative harmonization becomes mandatory.

Union legislation, which confirms the existence and proper functioning of the internal market, stipulates some rules on customs union and goods trade-in between Member States, things that come to facilitate economic cooperation in union's internal matters. Such rules are valid to all types of military and civilian industrial, agricultural or fishery products, but which have a major

influence on economic, monetary and currency policy.

The efficient functioning of the single market, precise coordination of economic policies and functioning of the banking system following an uniform set of rules, without doubt leads to economic recovery and resolving the economic crisis in which EU and humanity find themselves, in a faster and controlled way.

European Commission looks at how the national authorities implement EU rules by "Internal Market Scoreboard". Members States are required to implement EU legislation correctly and timely, and otherwise Commission has regulatory instruments by downgrading infringement procedure. In these cases, investigations made by the Commission may result in the intervention of the European Court of Justice, which finally may establish coercive measures on the offending State Member.

The level of tax rates and citizens' taxes is the attribute of Members State. The value of the tax is set by the state but the union role is to check whether the fees comply with its objectives with regard to employment, if facilitates the implementation of freedom of movement and respect the laws of fair competition at the enterprise level and citizens non discrimination.

For proper operation of the single market, European standardization organizations develop voluntary quality standards (quality and technical criteria for technological processes, services and products) that replace national standards in order to assist consumers, consolidation of European technological leadership as well as with the objective of promoting competitiveness and sustainability. With their help, is encouraged companies cooperation at national and European level? An important role in economic and technological development is played by the

key enabling technologies (advanced materials, micro and nanoelectronics, photonics and biotechnology, nanotechnology, semiconductors etc.) which are used in order to increase industrial production and reliability of industrial products with civil or military use, being also in attention of European policy makers aimed at reviving the European economic growth and ensuring the competitiveness of products internationally.

The assistance of European industrial sectors, mostly the State Members' industries, involve among other, an increased attention to ensure not only a good quality of raw materials that help increase the competitiveness of finished products, but also the support of those industries in which Europe remains the world leader such as automotive industry, chemicals and rubber, the European tourism industry and various branches of the defense industry.

The online environment gains increasingly larger importance, so more and more transactions take place on the internet bank payments, information sharing, online education etc. Benefits of Digital Agenda for Europe materialize also in current problems of day-by-day life, such public health, road safety by eCall system (car's automatic call to 112 emergency number in case of an accident), intelligent transport etc. Union supports citizens and companies to resolve problems arising in their country or between them, through cooperation and information system network, like the Consumer Protection Cooperation Network and SOLVIT network, the Enterprise Europe Network or information points of single contact.

The European Commission aims to streamline the single European market throughout the economic recovery which had serious briefs after the economic crisis. The measures in this respect concerns economic growth, jobs, equally access to finance for newly established enterprises, improving people working conditions and daily life, mutual recognition of professional qualifications of the European citizens between State Members. In order to implement the measures listed, the European Commission established in 2012 further action by the SINGLE MARKET ACT II project, grouped

into four areas as following: *integrated networks, cross-border mobility for citizens and companies, digital economy and actions to strengthen cohesion and increase the benefits enjoyed by consumers.*

The basic elements that characterize the single market, trade policy and the Commercial Relations of European State Members are: representation of State Members in international trade relations of the European Commission; free trade agreements; customs union; protection of intellectual property rights; foreign direct investment; raw material supply chains; loyal competition.

At European and national level, have emerged a number of associations and agencies to promote and support the development of national and regional industries. These include APITSIAR (Association of Industrial, Technological, Scientific and Business Incubators Parks in Romania) and EURADA (The European Association of Development Agencies). APITSIAR Association was founded in 2005 in Brasov, currently having a number of 34 members organized in individual industrial parks or group of parks in order „*to promote and protect the interests of its members, to promote sustainable development of industrial parks, technological, scientific and business incubators, attracting domestic and foreign investment and specialized providing assistance to its members and potential investors and their representation in dealing with national and international bodies and authorities*”[13]. Since 2006 is a member of EURADA, European regional association with members in all EU countries, which aims to inform and debate EU policies in an organized concurrently with the development of industry and European partnerships based on activity of industrial parks. At the same time supports the effort of member associations for the timely implementation of measures to finance business opportunities. Through an active attitude EURADA members can generate bills of the European Commission to support their practical work.

Through the European association of industrial parks are increasing international economic contacts, from USA to China and Japan and from Europe to Australia. In the



"HENRI COANDA"
AIR FORCE ACADEMY
ROMANIA



"GENERAL M.R. STEFANIK"
ARMED FORCES ACADEMY
SLOVAK REPUBLIC

INTERNATIONAL CONFERENCE of SCIENTIFIC PAPER
AFASES 2015
Brasov, 28-30 May 2015

same context must be assessed APITSIAR activity as an associate member in the International Network of Associations of Science Parks and Innovation (IASP) that concern strengthening the links between industrial, technology and science parks, for economic and employment global growth

3. REVITALIZING OF NATIONAL DEFENSE INDUSTRY, DETERMINANT FACTOR IN STRENGTHENING NATIONAL INTERESTS IN THE EU AND NATO

Government and diplomacy must change the outlooks to the existing situation and must bring the country to an external confidence level, which can be a real *pivot area* with economic, trade and good neighborly relations with all states in South-Eastern Europe and the wider Black Sea area. Reputation, as basic actor of European security environment, cannot be achieved only throughout achieving the security objectives, socially and economically, related to compliance values and national interest. The relationship between achievement of the concrete objectives of sustainable development in the EU and external credibility should lead to improvement of the country's reputation, which will have an effect on safety and increase the standard of living of the population. If, from the security's point of view, Romania enjoys the confidence of his allies and partners considering us a stable and powerful element in economic terms, our country is not at the level that can and wants to have. However, compared to other zonal actors, Romania demonstrates economic stability and good governance.

After the '89 revolution, characteristics of the national economic situation are related to the economic downturn and the deficit that occurred across the country, that spent more than

produced and that exports were lower than imports. After 25 years of democracy, Romania became an outlet country, where consumption, moonlighting, tax evasion and the number of pensioners is increasing, declining production and declining employment. Instead, at the beginning of 2015, there is a tendency to return to normality, considering receipts gathered into the budget. Lately, national exports have been increasing in the context of the auto industry progress and export of raw materials or semi-finished.

To understand the present, we need to see what happened in the economy after 1990. The transition to a market economy in which the state no longer invests in underperforming enterprises and factories and lack of competitiveness of products and businesses on the open market under conditions of increased competition internationally, is the leading cause for many factories to close, but some performing companies maintained and expanded their area of influence after infusion of capital and retooling. Therein are also added foreign direct investment cases, especially at the level of IMMs and development of numerous shopping centers.

In the product taxation context, some companies, on the initiative of entrepreneurs eager to earn big profits in short time, were redeployed in other countries in Eastern Europe or Asia, where production costs are lower and employers and entrepreneurs see their objectives achieved, but without taking into account the social costs that occur as a result of such maneuvers and economic capital.

Free movement of people, goods and capital, are the requirements of the European single market and companies' migration phenomenon occurs in all democratic states that have implemented rules of market economy. The question is how to keep companies in their country, to increase the level of foreign direct investment and ensure job growth, respectively

higher living standards for the population, at the same time stopping young people leaving the country and people skilled in various trades. Some problems can be resolved along with full EU integration while adapting full European economic policies and strategies at national level, including standardization activities that involve accessing European investment funds. On the other hand, the relevant national legislation should be reviewed, regulating the ratio of budgetary revenues and private companies, establishing incentive measures for entrepreneurs concurrently with eliminating corruption which nowadays is revealed each day.

Defense industry could not have a different path, than the one manifested in the national economy. Therefore, the defense industry after 1990 went into a decline due to fewer orders from the Romanian Army (which had entered into a reorganizational process / resizing and reform) and structures from the Ministry of Interior in conjunction with decreased foreign orders. Companies with special activity profile had been restructured, many specialists were fired, being provided for a short time social protection throughout financial compensation and the fact that not all factories were closed in the defense industry till now, is due to the interest of national defense and state intervention which cannot afford to give up military/ special production capacity, necessary for structures involved in the process of national security/ national defense capabilities, in the context of an unstable security environment.

Nowadays, companies that are part of the weapon industry have losses and employees and utilities are paid with money from the national budget support through subsidies and reduction / debt cancellations that were recorded. Government support is provided for periods in which companies have not orders and firm agreements and these companies can afford to keep employees needed for the production of SNAOPSN materials and weapons necessary for peace, in the event of crisis or war. Administrative activities, repairs, protection, conservation or maintenance are carried-out in this period by employees.

The main company with the production designed for the Romanian national defense is ROMARM. This military technology company has a specific production oriented towards following areas: Explosives, ammunition and infantry weapons, armored vehicles, artillery systems, missiles and missile systems. In addition to production for military purposes, the company has a civil purpose production, sales and marketing activities, import-export so within the law to ensure the development and basic activities in the area. ROMARM national company coordinates and controls the operation of subsidiaries in the country, develops their budget income and expenditure and verifies its execution, supports the work of subordinate branches in order to improve the products, their marketing and the tasks for which it was founded.

At the end of 2014, the Ministry of Economy has drafted a bill on improving the defense sector in order *"to protect essential security interests and national security of Romania by:*

- *increasing the competitiveness of economic operators to satisfy the defense interests of Romania;*

- *meeting the needs of procurement in the institutions within national defense system, public order and national security, in peacetime, to the imposition of states of siege, emergency, mobilization or war, taking into account national interests and government commitments undertaken in relation to NATO and the EU;*

- *support endowment effort of the institutions within SNAOPSN (National Defence System, Public Order and National Security to include Ministry of Defense, Ministry of Interior, Romanian Intelligence Service, External Intelligence Service, Security and Protection Service, specialized structures of the Ministry of Justice; Special Telecommunication System) to respect the obligations assumed by Romania through treaties and international agreements;*

- *stimulating investments in national defense industry, scientific research, technological development and innovation;*

- *connecting the national defense industry to the European defense industry*



"HENRI COANDA"
AIR FORCE ACADEMY
ROMANIA



"GENERAL M.R. STEFANIK"
ARMED FORCES ACADEMY
SLOVAK REPUBLIC

INTERNATIONAL CONFERENCE of SCIENTIFIC PAPER
AFASES 2015
Brasov, 28-30 May 2015

activities, developing cooperation in the field, maintaining and increasing internal and external sales markets, respecting NATO standards and access to technology and know-how high performance;

- *protection of economic operators in the national defense industry in order to satisfy procurement requirements of the institutions of the SNAOPSN*" [6].

According to this project, the defense industry is wanted to be coordinated by the Ministry of Economy and organized into seven areas of strategic importance as follows: command and control systems; ammunition and infantry weapons; explosives; research-development and innovation; technical maintenance for defense and security; aerospace and missile; armored and artillery systems. Activity in the field of defense security and preservation industry will be adjusted according to the training plan for the defense of the national economy and finance will be achieved through ANRSPS (National Administration of State Reserves and Special Issues), based on the same plan. If allocated funds aren't provided, an analysis procedure is initiated in order to take a decommissioning decision over the capacities, in the case they induce losses and may not be maintained from the financing sources of the economic operator.

This law provides specialists' training and their remuneration arrangements for the proper functioning of the defense industry. Also, the funding sources for investments are specified. Therefore we can conclude a funding sufficiency and the possibility that the defense industry to benefit from necessary recovery funds, based on viable plans and closely related to European partners in the EU. Being classified, we do not have access to Romania's industry National Security Master-plan content, but we can infer the importance of profile industry in the context of uncertain

contemporary operational and security environment. It is also understood the importance they attach to and how the government tries to ensure the functioning of the industry of such interest for the Romanian state.

Investments in defense industry aim among other amenities, renewing manufacturing technology, infrastructure, energy consumption and last but not least, human resources. For ensuring these and acquisitions¹ in the profile policy, the government appeals to the essential interests² of security and cooperation programs in the EU [7] who are based on research, development and innovation, while ensuring employment growth. At national level, research is encouraged, development-innovation for and within the national defense industry through partnerships, excellence centers - production units and specialized research, technology parks, active participation in the EDA programs.

SNAOPSN needs are beyond the means of national defense industry production, in cases of so-called special products of some PSA and their maintenance system. Therefore, in this regard, these items can be ensured through purchases from foreign partners and also through cooperation agreements but with the consent of the Romanian Government. Maintenance of special products required for SNAOPSN can be achieved through maintenance centers especially set up.

¹ in case of an acquisition contract based on a defense cooperation program of within the EU, notifying National Authority for Regulating and Monitoring Public Procurement / ANRMAP is mandatory

²According to the draft law on national defense industry, essential security interests represent national interests which serve to ensure the vital functions of safety, defense and national security, sovereignty, independence and integrity of the country and national infrastructures

4. CONCLUSIONS & ACKNOWLEDGMENT

In accordance with industrial, research and innovation policies, the Digital Agenda for Europe, trade policy, competition policy, CSDP or strategies in the EU legislation, including EDA, at national or European level, can form clusters / groups focusing on IMMs, research institutes, educational structures and technology transfer, to ensure the necessary SNAOPSN products, manufacture some competitive products for more than 5 years and increase cooperation in military affairs. International promotion of the defense industry and cooperation at European level is considered through the European Market of defense equipment and by the development of the base of European technological and industrial of defense, corroborated with a process of retooling of existing production capacities in national industrial resort.

At national level, in the near future, the aim is seeking for privatization of economic operators with production for the defense sector and which have a 100% state invested fund or state majority, based on criteria established by the Government for restructuring, improvement and value to specific activity. Investors which are able to access such opportunities must maintain production company profile; have a modern technology and an advanced know-how. The state maintains investments at these companies in an amount of at least 20% from company fund and the contract will contain the line that the new investor cannot change the business profile of industrial operator before 5 years starting from the time the initial investment had been made and for a maximum percentage up to 50% of production capacity existing at the time of privatization. At privatization it can also participate in associations of existing employees, either for majority or for quotation.

This paper has been financially supported within the project entitled "**Horizon 2020 - Doctoral and Postdoctoral Studies: Promoting the National Interest through**

Excellence, Competitiveness and Responsibility in the Field of Romanian Fundamental and Applied Scientific Research", contract number POSDRU /159/1.5/S/140106. This project is co-financed by European Social Fund through Sectoral Operational Programme for Human Resources Development 2007-2013. **Investing people!**

REFERENCES

1. Consiliul European de la Bruxelles, 11-12 decembrie 2008, *Concluziile Presediției* (2008).
2. CN Romarm SA, *Raportul administratorilor pentru exercițiul financiar* (2013).
3. European defence matters, research and technology: the European option, a magazin of EDA, Issue 07 (2015).
4. European Parliament, *The development of a european defence technological and industrial base*, Bruxelles (2013);
5. Guvernul României, HG nr. 1157, București (2013).
6. Proiect de lege privind industria națională de apărare, București (2014).
7. European Commission, *HORIZON 2020, The EU Framework Programme for Research and Innovation* (2014-2020).
8. European Commission, *SINGLE MARKET ACT II project* (2012);
9. Statutul asociației nepatrimoniale a "Parcurilor industriale, tehnologice, stiintifice si incubatoarelor de afaceri din Romania".
10. Strategia de securitate națională a României, București (2007);
11. Strategia Națională pentru Dezvoltare Durabilă a României, Orizonturi 2013-2020-2030, București (2008).
12. Strategia Europa 2020, Bruxelles (2010).
13. <http://www.apitsiar.ro/ro/acasa.html>.
14. <http://www.agerpres.ro/economie/2015>.
15. <http://romarm.ro/informatii-despre-companie/istoric/>.
- <http://www.apitsiar.ro/ro/acasa.html>.