



Report

**Security-Welfare Dilemma from a Strategic Management Perspective:
The Albanian Case**

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Abstract- Relations between security expenditures and welfare is a frequently questioned and discussed subject. However, the subject has not been discussed from a strategic management perspective. The common perception is that there is and there must be a balance between two expenditures and increasing one of these effects the other in opposite direction. As it is called a security-welfare dilemma, the aim of this paper is to focus on this dilemma in the Albanian case, and indicate solutions with the aid of strategic management. The selected Albania case is a concrete and recognized example demonstrating Balkan differentialism. An attempt is made to answer to question: “What if Albania implemented a reasonable and balanced policy of these two expenditures?” The results demonstrate that as a unique example (a part of Balkans but always have different results), Albania is generally on the opposite edges of these expenditures and has not a balance between two that is showing lack of strategic management perspective.

Keywords- Strategic Management, Defence, Security, Welfare, Albania, Security expenditure.

1. Introduction

Strategic management is a process defining an organization’s purpose of presence, objectives, and ways to achieve the defined objectives (Barry, 1986). In other words, it is a process telling organizations how to achieve goals, and compete with the rivalries/enemies (Aktan, 2008). Every nation/government can be thought of as an organization and this way of thinking will help to solve problems.

On the other hand, defence is one of the basic responsibilities of governments and it has two main objectives. First, the deterrence of any aggression or will against the country; second if aggression is realized, defend the country. Both, deterrence and defense require expenditures of the military in terms of training, vehicles, equipment starting from peace time. Public expenditures allocated for these military duties are defined as the defense budget. When war begins, it is the amount of expenditures made during peacetime that defines the type, prevalence, and intensity of war

(Aslan, 1998).

Security is generally a synonym with defense and in this article will be use as a common term. It consists of eliminating all kind of threats and instability, and establishing continuity of governments (Deđer & Sen, 1995). In other words, and in a general sense, security consists of eliminating internal and external threats and prevents social-political instability (Deđer, & Sen, 1995). Security is effected by five factors; military, political, economic, social, and environmental (Dülger, 2004).

Is there a relationship between security expenditures and a country’s economy? Which one affects the other? It is possible to increase the questions, but it is better to put an end to questions and provide a clear view from an economic perspective.

One of the main interests of economists dealing with security expenditures is the relationship between security expenditures and economic growth. Even if it is declared that there is a strong relationship between

these two factors, there are different results about the effects and nature of the relationship (Giray, 2004). How much money must be used for security? In other words, what is the optimal amount for security expenditures for a nation? The answer to this question is important for all countries because mistakes and incorrect assessments will have collateral effects now and in the future of the nation. If too much money is allocated for security, this will affect economic growth. Too little expenditures will threaten growth through instability and causing chaos (Deđer & Sen, 1995). Therefore, the dilemma faced with this expenditure balance is called the security-welfare dilemma and it is thought of like two sides of a scale. It is loaded on side and then other side will be affected in the opposite direction. Therefore, it is perceived that when too much money is transferred to security, this will mean a cut from welfare expenditures and vice versa.

The Balkans has special circumstances based on geography. Any approach having positive results in any other part of the world can result in opposite effects in this geography. A security and welfare approach also must be considered in the same way. Especially in the last 100 years, this geography has been full of war and blood. The Balkans, because of being an area of interest of different countries and mixtures of cultures, has had many problems establishing a nation-state and national army.

Albania is a part of the Balkan region but has always had specific conditions. In some cases it has the exact Balkan's regional characteristics while in other cases just opposite. After becoming an independent country in 1912 and until having current democracy, it had different tendencies, management styles, and a history full of turbulence. Therefore, being a good example and depicting some realities of the Balkan region is one perspective and having special characteristics is another perspective, Albania serves as a good example for this research.

2. Theoretical Framework

a. Security-Welfare Balance until the 20th Century

Throughout history, government-military relations have always been deep and multidimensional. It is obvious that during the Middle Ages, this relationship was military-based. We cannot distinguish both the Roman Empire's vision of democracy and the Ottoman's consultation-based government management

from this perspective. We can summarize this period's military-government relations and security-welfare balance as a **victory-booty-wealth** equation. Governments that were not able to sustain this cycle could not be able to continue its presence. Ottoman Empire is a concrete example. Victories until the 18th century increased their wealth. However, in the 19th century, victories resulted in impoverishment of the government. Even if there are many theories about the collapse of the Roman Empire, Peter Heather's theory is important from our perspective. Heather implies that:

It is the increasing power of Iran's Sasan Empire (226-651) that initiated the demolition of the Roman system. The Roman Empire was forced to allocate the first 25% of its military power to the steadily increasing Sasan threat, then this amount increased to 40 percent. Romans could be able to overcome the threat in 50 years but the burden was too much. In order to finance the army that was tasked with this conflict, the government increased the tax burden to western cities. As a result, its sources of income were depleted. Since income decreased, public investment and producing stopped." (www.sabah.com.tr/, Retrieved on 05 September 2015).

At the end of the 18th century, the world had a new vision with the effects of Industrial Revolution. With the new age and vision, the victory-booty-welfare paradigm changed. The invention of new energy sources and the presence of these sources in different areas of world forced governments to implement new methods. The increasing power of law and democracy made land invasion difficult, resulting with the use of indirect methods, and the replacement of soft-power instead of hard-power. Therefore, new changes obliged governments to have more professional budgets and more planned expenditures.

Another important point is the increasing expectations of people and society. With the effect of TV and media, societies observed other people's more luxurious and wealthy life style resulting with increased expectations. Therefore, the 20th century's inventions also affected people's welfare expectations.

b. Security and Economy

The visions and perceptions of countries about security differ, and this difference affects security expenditures, as well. For example, geopolitical situations and historical ties are important factors. In the

case of Israel, security expenditures are among the most important public expenditure group. The defense industry has an important and basic role for the development of the country's technological and industrial capacity. In 2014, three of the 100 biggest defense industry companies of world belong to Israel (www.sipri.org/, Retrieved on 26 September 2015). It is also a major player in the global arms market and is the 8th largest arms exporter in the world as of 2014 (<http://armstrade.sipri.org/>, Retrieved on 26 September 2015). Some other factors that affect the perceptions about security are: inland factors (Peterson & Tiebout, 1964), the nation's political regime (Looney, 1994), total population at risk, possibility of attack, level and allocation of national income, age profile, and level and quality of life that can be affected by cultural differences (Aslan, 1998).

Sources allocated for security expenditures consist of an important portion of both total public expenditures and national income and these sources took from different areas that can be very important for nation's growth. From this perspective, it is appropriate to mention that security expenditures are to the detriment of a nation's economic growth. However, on the opposite side, security is a duty that cannot be given up in order to sustain nation's presence and independence. The second perspective is supported with Adam Smith's idea: "As defence, however, is of much more importance than opulence" (Smith, 1776). That can be translated as: "if you don't have a country you will not need money." In other words, security is a must in order to establish welfare in the country.

A popular assumption by researchers and policymakers alike is that the influence of security spending on economic growth is negative. However, the empirical evidence on the security expenditure-growth relationship is decidedly ambiguous (Castillo et al., 2001). There are many studies claiming that security expenditures support economic growth and progress in different ways. Twenty-nine studies investigated the relationship between security expenditures and economic growth between 1980 and 1995. Some of them depict that security expenditures have no effect on growth; some assert a positive effect, while some declare a negative effect (Ram, 1995).

In a study of 44 developing economies, Benoit (1973), found no evidence that security spending has an adverse effect on growth. In fact, even after controlling for reductions in foreign investment and aid as a result of military spending, the correlation between military

expenditures and economic growth remained positive (Castillo et al., 2001). Another finding of Benoit was that countries with a high defence budget generally have the largest growth rate, while the smallest budget countries have the smallest growth rate (Ram, 1995). Some studies depict that the effects of defence expenditures on growth can change according to the short and long term. For example, the effect can be zero, even negative, in the short term, while positive in long term (Looney, 1994). According to Smith (1989), in an examination of British military expenditures post-1945, he found that military expenditures are a positive function of economic performance and the relative price of military and non-military goods and security variables based on threat appreciation and military alliances (Castillo et al., 2001). More recently, a study by Babin (1986) examined 88 developing economies from 1965 to 1981. He found a consistently positive relationship and concluded that military stability, which requires military capability, is an important precondition for economic advancement in the Third World (Castillo et al., 2001). Finally, according to Chowdhury (1991) and Kusi (1994), in both studies, the results suggest that the relationship between defense spending and economic growth cannot be generalized across countries. However, where a relationship does appear to exist, there is slightly more evidence to suggest that increases in military expenditures anticipate declines in economic growth, while increases in economic growth anticipate increases in military expenditures (Castillo et al., 2001).

Table 1. Comparison of Causality Results, (Castillo et al., 2001; Chowdhury, 1991; Kusi 1994)

Sample and Findings	Chowdhury	Kusi
Number of Countries	55	77
Number (percent) of countries with result		
No statistically significant causal relationship	30 (55%)	62 (80%)
Military expenditures reduced economic growth	15 (27%)	3 (4%)
Military expenditures increased economic growth	0	4 (5%)
Economic growth reduced military expenditures	1 (2%)	1(1%)
Economic growth increased military expenditures	9 (16%)	6 (8%)

On this point, a perspective from the point of budget planning will help to understand the relationship between the security-welfare balances. According to Korkmazürek (2009), new defense planning consists of four periods:

- Static Planning (Between the two World Wars),
- Threat Based Planning (Cold War Period),
- Capability-Based Planning (Post-Cold War Period - Until 9/11) and,
- Ability Based Planning (Post 9/11 2001).

Static Planning (*Between the two World Wars*)

Static Planning is the concept that a threat is well defined and known, there is no uncertainty and the threat is linear and symmetric.

World War I is a breaking point in terms of security and military perceptions. Until World War I, it was the empires that were filling the power balance in the world. However, with World War I, power transferred to international actors resulting with a total war. World War I caused a great polarization and resulted in huge damage. It demolished the international balance and resulted in some nation’s loss of economic sources and honour. The new circumstances were filled with hatred and humiliation triggered nationalistic senses, resulting in a new arms race as the beginning of a new crisis. In this period, the balance was obviously on the side of security. Germany led the militarization, and the arms race is the main characteristic of the period. The work of Castillo et al. (2001) depicts a view about the motives of five big powers’ military spending from 1870 to 1939. When we focus on 1919-1939, it is obvious that “fear” is the common point for all countries. Additionally, “ambition” to normalize broken honour and become a super power again in the region for Germany is noticed.

Table 2. Power Military Spending Relation (Castillo et al., 2001)

<i>Period</i>	<i>France</i>	<i>Germany</i>	<i>Japan</i>	<i>Russia</i>	<i>US</i>
1870-1890	<i>Ambition</i>	<i>Fear</i>	<i>Fear</i>	<i>Ambition</i>	<i>Ambition</i>
1891-1913	<i>Fear</i>	<i>Ambition, fear and legitimacy</i>	<i>Ambition and fear</i>	<i>Ambition and fear</i>	<i>Ambition and fear</i>
1919-1939	<i>Fear</i>	<i>Ambition and fear</i>	<i>Ambition, fear and legitimacy</i>	<i>Fear</i>	<i>Fear</i>

Threat Based Planning (*Cold War Period*)

Threat Based Planning is the concept integrating different forces and establishing collective action. In this concept, the main idea is to focus on the idea of “what can the enemy do” and try to find an optimal solution to eliminate this threat. The model is characterized with *capabilities*. Therefore, this model focuses on how the enemy can fight (which capabilities it will use) instead of who the enemy is and where there can be a conflict (Topcu, 2010).

This period is the Cold War period. The world has divided into two poles and the increased intensity of the arms race has an important effect on the security-welfare balance. It is clear that in this period, the balance in security-welfare was on the security side. Therefore, in the polarized world, the main motive was the threat from the other side. Additionally, tension was steadily increasing with the effect of the nuclear race. For welfare, the effects of this race in developed countries was limited while the effect on non-developed and third world countries was deep and negative. During this period, one side improved its welfare with the help of war and a weapons economy, while the other side could not endure the velocity of the race anymore and collapsed in 1989. Neutral and third world countries were the most negatively affected countries by the race. Albania was one of them. At the end of the Cold War, the result was one side benefitting from using billions of dollars for defense and security as being the only superpower of the world, while the other side gave up from armament race. To summarize, at the end of the Cold War, the result was:

-Ideas expressed as the “end of history” (Fukuyama, 1992),

-East Block that gave up from armament race,

demolished and fragmented countries,

-Neutral and third world countries faced great problems for welfare.

During this period, great losses occurred to the disadvantage of welfare. As being the ultimate ratio in human being's political activities (Fukuyama, 2007), **power** emerged. It was the political choices and power struggle that defined the arms race (more than real tension). For this reason, even if trillions of dollars are spent on International Ballistic Missiles (ICBM) they are never used (Dunnigan, 1996).

Between 1980 and 1998, the two-sided polarization was replaced by a multi-sided polarization. In this period, an important decrease occurred in security expenditures--mostly in developing countries, led by the Middle East, and a lesser extent in South Asia and North Africa. It was the financial obligations that forced governments to arrange public expenditures' priorities (Looney, 1994). While these countries were decreasing defense expenditures, some others (US, Russia, China, EU countries, India, Pakistan, Israel, Syria, Iran, and Iraq) still had large defense expenditures.

Capability-Based Planning (Post-Cold War Period-Until 9/11)

After the Cold War period, the threat changed and the "**asymmetric threat**" concept rose. New technologies adapted immediately to the military and concluded with the use of smaller and light-equipped forces for use in longer and flexible missions (Topçu, 2010). These changes caused improvements in "**Capacity Based Planning**" that is to establish capacity packages in order to use the right combination of capacities at the right time and place (Korkmazürek, 2009). The main idea of this conceptual change was to see security not as a result of capacities, but a dynamic balance between threats and capacities. According to the concept, ensuring a decrease in the threat was also a part of security politics as much as defense planning. The main idea with the theory was "security cooperation **with** others but not **against** others" (Nelson, 2001).

In this period, we observe a dramatic decrease in defense expenditures, parallel to political and strategic vision changes. As Dunne (2000) emphasizes:

With the end of the Cold War the changed strategic environment has presented an opportunity to reduce global military spending.

In the developed world the end of the super-power arms race has, indeed, led to marked cuts in military spending, while in the third world the removal of superpower involvement in regional conflicts has reduced tensions, military and military-related aid, and the scale of conflicts. Although this has led to some reductions in military spending in the developing countries the situation is complex. There are still some countries increasing their expenditures, mainly in response to local insecurities and local arms races, but also encouraged by the push for arms exports by the developed countries. Weapons have become cheaper in the increasingly competitive world market and the world remains a very dangerous place with many regional and civil conflicts.

Even if the arms race has finished, some countries have not given up on the race. One reason for the continuing arms race was the effects of regional conflicts and fears remaining from the Cold War period, while the second reason was the political incentives. Political figures that produce enemies in order to implement their will are a common example and in this case the *will* is the arms race. Lastly, the effect of the weapons industry and its power in politics must be emphasized.

Comparatively, a decrease in the arms race is observed, but reality is that expenditures did not affect developed countries because of the magnitude of the economy, while on the other side, small countries were again in real trouble. Since investment is not implemented for health and education, the welfare level continued to decrease. Certainly, the belief that reducing security spending will lead to a "peace dividend," as the economic benefit of re-allocating security expenditures to other uses has been termed is not accepted by all. Some people have argued that cuts in security expenditures are more likely to result in a "**peace penalty**" because of the costs of adjustment. The experience of the developed economies is rather salutary, as they have generally failed to benefit economically from cuts in their security expenditures (Dunne, & Willett, 1992). After a break, security expenditures began to increase again after 1998. The increase between 1998 and 2001 was around 7%. This increase was a result of the trend in economic, political, and technological changes in the Middle East, Eastern Europe, North America, and East Asia (Başar & Künü, 2012).

Ability Based Planning (Post 9/11 2001)

9/11 was the beginning of the fourth period. With the 9/11 attack, threat assessment was defined again. The world focused on terrorism and asymmetric threats (Topçu, 2010). The use of the phrase “*war on terrorism*,” first used by George Bush on September 20, 2001 (www.theguardian.com/, Retrieved on 05 September 2015) and new type of combat and security perception were defined. From this point on, there was only one superpower leading the entire world in order to fight with terrorism. The new type consisted of much more flexible techniques and equipment and was meaning to improve abilities to fight with new threat, terrorism. In the post-9/11 era, special-operations forces have often conducted direct-action missions in support of conventional forces (Bilgin & Goztepe, 2013), meaning that usage of special forces gained importance. And it was also an opportunity to consume arms waiting in stocks and make the economy wheel turn again.

3. The Albanian Case

As it was mentioned before, Albania is a part of Balkan region but always has specific conditions. After gaining its independence on November 28, 1912, on December 4, 1912 the National Army was established (www.aaf.mil.al/, Retrieved on 28 August 2015). When discussing security in the Albanian case, we must understand the army in particular. After gaining independence, for a long time, the main topic of the country was whether establishing an army is the right decision or not. From this perspective, the first period of the Albanian security-welfare case consists much more about establishing a nation and then an army. During this period, it is difficult to have a clear understanding about the balance. We sometimes observe security expenditures to be too limited. After a while, in order to fill the gap, then amount increases too much. Therefore, it is better to focus on the details following independence.

During the period of 1914-1918, the main Albanian force was the gendarmerie and a few military forces, organized into a regiment to protect the country's southern borders. We may consider a real military organization and the Albanian regular army only in the subsequent years after the historic Congress of Lushnja in January 1920 (Hasani, 2012). During this time, the basic argument was “...*the army is that power that ensures the vitality of the state. Therefore, it is requested to establish the Ministry of War*” (Hasani,

2012). In 1921, a force not exceeding 7000 people was established. The army budget was 6,500,000 golden frangs (Hasani, 2012).

During 1925-1928, the military organization was based on the mercenary system, in addition to the previous traditional system (military group bases). In 1925, establishing an army was still on the agenda. In the first Albanian Republic, according to Article 111 of the statute “... *military service is mandatory for all Albanian citizens*” (Hasani, 2012), arguments were still valid.

In 1927, the mercenary system collapsed and the influence of Italian military organizers to build an army of a regular kind began. During the Albanian Monarchy between 1928 and 1939, a regular army structure was established. In 1931, the Army was very professional and a chain of command was established. As a result of these arrangements, from 1931 to 1932, the Army budget had a large increase by reaching an unprecedented figure to that time: 11,499 million gold francs. Together with that of gendarmerie, it reached 50% of the total state budget. This figure was the highest quote in the history of army powers from 1912 to 1939 (Hasani, 2012). In the ten-year period from 1928 to 1939, the Army Powers of the Albanian Kingdom and particularly the Army were enriched and improved by other elements, increasingly giving it the image of a regular army, similar to armies of other countries (Hasani, 2012). Obviously during this time, the balance between security-welfare was on the security side.

Everything that the Albanian state and its Armed Forces had achieved before the start of World War II faded on the day of the fascist aggression against to country on April 7, 1939. Albania's neophyte army proved unable to stop the Italian invasion of Albania in 1939. Zog's rule came to an end in April 1939, when Mussolini's armies invaded and annexed Albania. The Nazis soon took over as the occupying force (Danopoulos, & Skandalis, 2011). The state became non-existent and therefore, its Armed Forces, as well. Under these circumstances, the new Armed Forces arose, which belonged to different political groups of the time and which faced the invaders (www.aaf.mil.al/, Retrieved on 9 September 2015).

New army consisted of volunteers and established against to invaders. As called National Liberation Anti-Fascist Volunteer Army, this Army created 24 brigades, eight divisions, and three army corps, approximately

45,000 soldiers and it is considered one of the most successful armies since 1912. In November 1944, together with the territorial forces, it reached 70,000 soldiers. This number represented seven percent of the Albanian population in that period (www.aaf.mil.al/, Retrieved on 9 September 2015).

Second Period

Second period is more clear and it is possible to label Albania's second period as "*the country in a world of its own*" and "*allocated all its energy and money to security.*"

Following World War II, Enver Hoxha came to power. The Albanian Politic Leadership (APL) came to power through force. As such, the party and army had a very close, symbiotic relationship that continued in the years following the coming to power (Danopoulos & Skandalis, 2011). According to Amos Perlmutter and William LeoGrande, "symbiotic relationships are characterized by low levels of differentiation between military and civilian elites, and the circulation of elites between military and non-military posts." (Perlmutter & Leogrande, 1982). Approximately half of the 100-year independence of Albania consisted of the Cold War period and we observe that during Cold War period Enver Hoxha's regime prepared the whole country as a battleground. The perception and ideology of the country's regime was consisting of high nationalistic vision, a country surrounded with enemies, a strong nation that can protect the country in any case, and a management style full of mottos. However, like their Vietnamese brothers in Marxism/Leninism, the Hoxha group was inspired by strong nationalist sentiments. This strong nationalistic sentiment was the backbone of Hoxha's regime and security perspective (Pano, 1968).

Albania-Russia relations began in 1948. And Albania was a member of the Warsaw Pact from 1950 to 1968 and the army was equipped with weapons and equipment from the Soviet Union (<http://www.aaf.mil.al/>, Retrieved on 9 September 2015). The Tirana-Moscow honeymoon lasted for approximately twelve years (1948-1960). However, the nationalistic and ideologically rigid Hoxha regime soon found itself in disagreement with the Soviet Union (Prifti, 1978). The break with Moscow also served to reorient Albania's foreign policy, paving the way for the country's xenophobic leaders to turn their eyes toward Mao's China. The Albanian-Chinese love affair lasted longer (1961-1978). The Chinese departure

heralded a period of self-reliance and dependence of its "own armed forces and military capability." (Prifti, 1978).

After thirty years (1948-1978) with Russia and China, it is difficult to have a clear view about the amount of money transferred to security from both countries. Missing official documents makes it difficult again to determine what percentage of GDP was allocated to security. Another reality is during the Cold War, in the 1970s-1980s, the Armed Forces had a large numerical increase, reaching 61,000 active troops, 26,000 reserve troops, and a large number of volunteer troops. In the late 1980s, the Army had 22 divisions that constituted three fronts. Based on the defence concept of each square meter, the army was deployed to 2,200 points across the whole country, and fortification became a separate goal. For the first time in world military history, the free military schools were opened in Albania (www.aaf.mil.al/, Retrieved on 9 September 2015) As part of the idea that "*every member of state is a soldier,*" these schools trained people.

After Hoxha's period general situation was:

The APL's policies wreaked havoc on the nation's military. The country's poor and deteriorating economy and Hoxha's decree against borrowing made life rather difficult for Albania's 84,000-strong military. Yet Tirana had the dubious distinction of having the world's highest percentage (14%) of men in uniform in proportion to the population. Impoverishment and substandard living conditions eventually led to "a serious breakdown of discipline at many levels, creating problems of morale and affecting the operational inefficiency of the army." Reports also surfaced about "troops resisting officers, refusing orders, and being generally indifferent to army regulations." (Prifti, 1978).

It is obvious that during this period, the security-welfare balance leaned toward security. As mentioned above, even if we have insufficient and concrete economic numbers belonging to this period, no one can deny that most of the country's sources allocated for security additionally the amount came from Russia and China. In the end, the result of Hoxha and Cold War period was interestingly but not surprisingly disaster for both security and welfare. At the end of Cold War and the following years, Albania was the poorest country of Europe. There still was an army, but it did not have the capacity to fight.

Third Period

After having a high profile and using most of the GDP during Enver Hoxha's time, the security side confronted the opposite behaviour of democracy. Meeting with democracy and angry with the soldiers of the Cold War, new democrat leaders aimed to decrease the power of the army and cut security expenditures. President Berisha's government proclaimed its desire to set Albania on a democratic course, the economy was largely privatized, the country re-joined the community of nations, a multiparty system was allowed to emerge, and the president and his government laboured to improve Europe's poorest economy (Danopoulos & Skandalis, 2011).

Even if after Cold War, the general atmosphere in Balkans was uneasy and Albanian politicians were decisive and did not give up their objectives. The new government proceeded to slash the defense budget almost by half and to reduce the size of the armed forces considerably. (Danopoulos & Skandalis, 2011). So the balance was shifted to the welfare side. In the following years to eliminate the weakness in security risks Albanian government established strong relations with United States. As Danopoulos & Skandalis emphasized (2011) "following years the American military and other advisers occupied various government agencies, including the Ministry of Defense and their advice weighed heavily on issues relating to Albania's security policy and the military". Following steps made by politicians was "to exclude soldiers from decision-making process." (Lane, 1998). The government pursued its efforts without consulting the military or other elements of society. It purged the officer corps, slashed the defense budget, and sought to impose top-down professionalization on Albania's armed forces (Danopoulos & Skandalis, 2011). By the end of 1995, the Albanian army was "*an army in name only.*" (Lane, 1998).

In 1997, disaster happened. With the 1997 implosion (called a pyramid scheme and addressing an economic crisis), the army disappeared. Therefore, efforts to exclude the military from decision processes and increase welfare failed. First, the desire of the population to fill the welfare gap immediately triggered a crisis, and then the lack of a reaction from the army completed the collapse. When the crises began, the army did not try to stop the stampede and the crisis grew resulting in a decline in internal security. At the beginning of crisis, the Albanian army disintegrated and did not and could not heed the President's call to quell

the popular uprising in March 1997 (Danopoulos & Skandalis, 2011). As Adam Smith emphasized: "Security is more important than wealth" (www.ifaarchive.com/ Retrieved on 12 September 2015).

The reasons behind the collapse were: first, the fight between old and new military management styles (Limaj, 2014), which accelerated the collapse; second, a lack of motivation in the military, as Lane emphasized, was "the failure of the leadership to properly feed, pay, clothe, and generally care for the army." (Lane, 1998).

Another motive of this period was an attempt to become a NATO member. In 1992, Albania publicly declared its aspiration to join NATO, which was followed by concrete steps in this regard. Tirana established a close relationship with Turkey, which caused much consternation in Athens and Belgrade (Danopoulos & Skandalis, 2011). Thus, in 1994, it signed the document within the framework of the PfP (Partnership for Peace) and in June 1995, Albania officially became part of the PfP initiative. In 1999, for the first time it prepared the Membership Action Plan (MAP). Although in 1997, as a result of the crisis, the armed forces were the most failed force. Within a relatively short time, they rebuilt and became a worthy contributor to security and peace in the region and beyond (www.aaf.mil.al/, Retrieved on 10 September 2015). This period for Albania is unclear. However, the 1997 crisis made everything more complex. When the country was entering the fourth period, the security-welfare balance did not exist. Security collapsed resulting in NATO's ALBA operation and welfare collapsed as well, resulting in millions of dollars of Albanians being stolen by bankers.

Fourth Period

As the world was renewing its vision about terror and effects on security, the perception in Albania was still different. It was attempting to minimize and decrease the effects of the 1997 crisis and trying to restructure the constitution, including the army. The effects of 9/11 on Albania were the increasing power of the United States in terms of intelligence and police. Between the years 1992 and 2009, military activities based on bilateral relations provided an opportunity for the country to prepare for NATO membership. In 2009, NATO membership was a breaking point for the country. Before and after membership, the concrete support of Turkey, Italy, and the United States continued.

During the Cold War period in 1990, the balance was on the security side and the military expenditures of the country were 5.9% of GDP. After democracy, the balance changed and the percentage decreased dramatically to 1.2% in 2000 (www.tradingeconomics.com/ Retrieved on 29 October 2015). Security expenditures continued to decrease for the sake of welfare. The defense budget increased to 1.6% in 2010 then decreased to 1.51% in 2011, 1.49% in 2012 and 1.36% in 2013 (www.providingforpeacekeeping.org/, Retrieved on 29 October 2015). After the 2013 election, the Socialist Party gained the power in parliament. The new government did not support the military and it was difficult to convince the ruling politicians about the threat. In other words, during the years 2014-2015, the main problem was defining the threat. For politicians, the absence of a threat and efforts to increase welfare resulted in dramatic cuts in security expenditures. In the 1920s, the discussion about the *need for the military* now inverted to discussions about the *need for a navy and air force*. Albania currently has 8,500 active defence personnel, including civilians, from which only 2,500 are combat ready, while the other two-thirds are executive and support staff (www.providingforpeacekeeping.org/, Retrieved on 29 October 2015). The defense budget for 2014 was 1.0% of GDP (www.sipri.org/, Retrieved on 30 October 2015), while it was 0.83% in 2015 (www.mod.gov.al/, Retrieved on 29 October 2015). This was obviously low compared to the NATO 2% level; the country received some criticism from NATO sources (Fig.1).

In 2015, Albania's Defense Spending Budget was 110,000,000 US Dollars, ranking 113th (www.globalfirepower.com/, Retrieved on 12 September 2015). Additionally, according to the Global Fire Power (GFP) list, which uses over 50 factors to determine each nation's Power Index ("Pwrlndx") score, Albania is 100th, having a Pwrlndx of 2.5324 points (www.globalfirepower.com/, Retrieved on 12 September 2015).

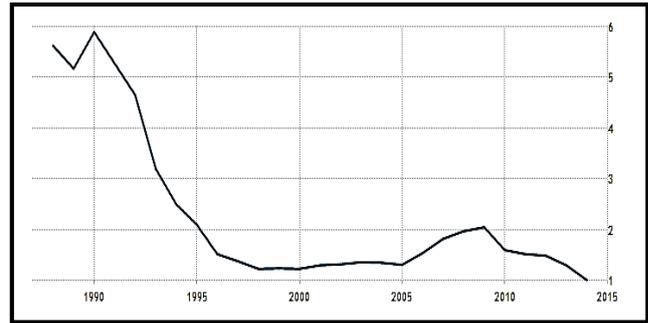


Fig.1. Albania's Defense & Arms Trade (World Bank Indicators, www.tradingeconomics.com/albania/military-expenditure-percent-of-gdp-wb-data.html, Retrieved on 29 October 2015)

Despite these results and after all developments, the Albanian army is in much better shape today than a decade ago. Morale is higher and the army has a clear sense of purpose and mission. The force is smaller, leaner, better fed, and better trained (Danopoulos & Skandalis, 2011). Lastly, there are two facts that must be mentioned. First, after the 2013 election, the new government focused on the police and spent a reasonable amount for the re-structure of the police force. Expenditures for that re-structure are not included above because of a lack of sufficient input. Secondly, the amount of donations from allied countries is not included. For example, donations from Turkey alone in 2013-2014 reached 6 million US Dollars in the wake of continuing assistance starting in 1992.

4. Conclusion

Security expenditures are an important variable of economic indicators. Surely they are affected by political tendencies and the general circumstances of the world. In sum, security expenditures steadily increased after World War II and reached the highest level in 1987. After 1987, they began to decrease. In 1989, after the end of Cold War, expenditures decreased dramatically, even if they slowed in the middle of the 1990s, as the decreasing trend continued. As a result of the decreasing threat assessment, escalation in economic competition and the will to decrease the budget deficit, security expenditures decreased, as well. The United States decreased its military budget and personnel by 35% (Conetta, 2002). Even to meet the current basic needs and infrastructure maintenance expenses of the army has caused a great deal of resource use (Conetta, 2002). In 1999, expenses increased again and accelerated after 2002. According

to SIPRI estimations, the annual increasing rate of defense expenditures between 2002 and 2004 was 6% in real amounts (Bařar & Künü, 2012). The reason for this increase was the United States' Afghanistan and Iraq operations (Taner, 2006). Currently, most of the money used for security is from developed countries. These 32 countries comprise of 16% of the world population but they cover 79% of defense expenditures. The poorest 58 countries cover only 4% of all defense expenditures, while they have 41% of the world population. It is clear there is a positive correlation between developed countries and defence expenditures (Sköns, 2005).

Albania's security-welfare balance history consists of practices in opposite sides. That means there is no balance between security and welfare expenditures. The balance was strongly affected by political discussions and perceptions. Again, it is obvious that generally there was not a rational balance in security-welfare expenditures in the Albanian case.

As shown in Figure 2, the strategy and its component "strategic management" is directly related to objectives and instruments. In our case, security and welfare both are objectives, while GDP and military/police are instruments. Using money and military/police to gain welfare and security is strategic management. In the Albanian case, the lack of balance between the two expenditures shows a lack of strategic management. In order to make a reasonable balance, as an instrument of strategic management, SWOT analyses can be the starting point, which is a duty of APL.

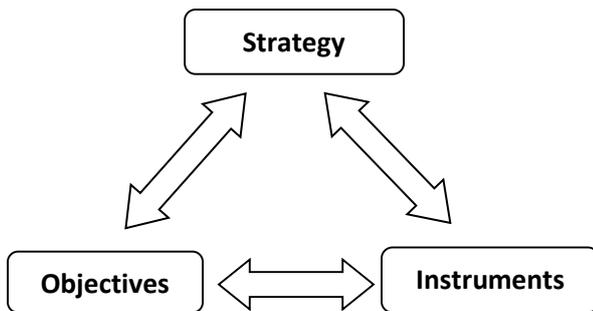


Fig. 2. Strategy Management Circle (Eren, 2006)

This paper discussed the relations and balance between defence expenditures and welfare in the chosen Albanian case. Albanian defense expenditures during the Cold War period are not clear enough because documents belonging to that period are not accessible or the subject is not focused sufficiently by academicians.

A lack of official information from Enver Hoxha's time is a limitation of this research. On the other hand, since there is insufficient research focusing on the Albanian defence-security balance from a strategic management perspective, this paper makes a significant contribution to literature.

Lastly, studies using the Cold War period's original data can add an important contribution to literature.

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