Iran. Econ. Rev. Vol.17, No.3, 2013.

National Security and Immigration

Ali Esmaeili*

Received: 2012/08/27 Accepted:2013/07/23

Abstract

This Paper considers the relationship between economics factors and national security. While considering a broad number of issue areas, the principal theme of the course is the way in which economic factors (as immigration) fundamentally influence the national security of region, and the way in which those factors shape and constrain the strategies chosen to pursue that security. South-South migration flows outnumber the flows between South and North, and a series of developing countries have, over time, become net immigration countries. This phenomenon implies new challenges, in particular at the social level, for both the countries of origin and destination, and requires a different approach in the way we think about the governance of migration flows. In this paper, we try to examine immigration effect on Persian Gulf region's security. The results show that immigration decrease regional security.

Keywords: National Security; Immigration; Persian Gulf countries.

1- Introduction

It has increasingly become clear that national security and economic factors are interconneced in the post-Cold War era. The recent economic crisis in Persian Gulf countries clearly shows that economics has such security impacts as political stability of countries as well as regional security stability in general.

One of the areas where national security and economic factors are most clearly interconnected is migration, especially South-South migration flows. Channels of interaction between developing countries have also been intensifying, especially with regards to South-South trade and factor mobility. Migration between developing countries, in particular, has significantly increased over the last two decades. South-South migration

* Consultant of Ministry of Islamic Culture and Guidance.

flows outnumber the flows between South and North, and they are likely to rise relatively faster in the future, not only because migration policies in developed economies are increasingly restrictive, but also because the fast- growing economies in the South represent new magnets for would-be migrants.

As the number of immigrants in developing countries rises, problems of discrimination and integration also arise. Like in developed countries with a longer tradition of immigration, local populations do not always view in a favorable light the arrival and settlement of foreign workers. As a result, foreigners may serve as scapegoats for the economic and social problems of the country. They are blamed for the rise in unemployment and insecurity, and in some extreme cases, can be victims of anti-immigrant riots, like those which occurred in South Africa in 2008. Moreover, immigrants in developing countries often lack basic protection of their rights, especially at the social and civic levels. The situation of refugees and transit migrants is particularly worrying, above all when their "temporary" status tends to become permanent.

The typical migration story unfolds in the following way: a productive member from an above-subsistence household is sent away to earn money and remit it back to the household; the original household can in turn invest or consume it, as an insurance against idiosyncratic shocks to its own income streams. Following the argument above, South-South migration is not different from the migratory movements from the South to the North. There are however two major reasons why the challenges associated with South-South migration require a different approach: the administrative capacity to properly manage flows is weaker, and the cultural and physical distances separating countries are smaller. South-South migration therefore needs to be tackled from another angle.

Despite the many changes occurring in labour mobility around the world the primary motivation for migrating remains economic in nature. The immense and growing wage gap between the South and the North continues and will continue to draw potential workers to the North. South-South migration is however on the rise for many reasons, as outlined above, and the list of challenges for new receiving countries is growing, particularly in terms of immigrant integration. The following section argues that South-South migration is different than the conventional migration

story, that integration in the South rests on an active part by immigrants themselves but also native workers and employers, and that the strengthening of social cohesion hinges on the successful integration of immigrants.

A second important factor is that of *distance*, not only physically, but also culturally and socially. The story of immigrants going from South to North is mainly an economic story. While language and colonial ties often act as facilitators, these determinants are slowly disappearing, with many Sub-Saharan Africans finding opportunity in non-historically linked countries like Italy, Spain and the United States, and many Southeast Asians finding works in the Gulf countries. South-South migrants' reliance on proximity means that economic concerns are lessened: borders are porous, the amount of assets and in-kind cash required to emigrate is lower and informal labour markets have low entry costs – this all equates to a selection of immigrants likely to be selected from the less privileged sections of society; more people can afford to make the choice to emigrate.

The purpose of this study is to examine the role of immigrants on the Persian Gulf region's security. In the two and three section of the article, I try to examine the relation between economics factors and national security. In section 4, we will introduce a useful index for national security. In the section 5 discusses empirical specifications, describes the data and the results. The final section of the article is a conclusion in which the policy implications of the results are discussed.

2- Wealth and Military Power

It is not merely aggregate wealth that affects a country's ability to secure itself. A country must also have access to a wide array of resources (often called "strategic goods") and weapons that can enable it to sustain a war effort (F. Blanchard, 1996). These include, *inter alia*, foodstuffs, metals and minerals used in weapons production, oil and other fuels, and a host of other materials essential to sustaining agriculture, industry and the military in wartime.[1] Consequently, one of the most important dilemmas of "high

1- In addition, they require adequate supplies of labour, machinery and infrastructure.

politics" that countries must face is an economic one: should they attempt to produce as many of these strategic requirements as possible domestically, by striving for autarky, or should they trade for them on the international market? The pursuit of autarky - to the extent that it is possible - entails both economic costs, since it promotes economic inefficiency, and strategic costs, since it requires the state to produce defense goods that it may not be well-suited to produce (S. Millward, (1977) and Carr, (1973)). For example, the lower quality synthetic oil that Germany had to produce during World War II, due to its lack of domestic crude oil supplies, or the strategic costs that would accrue to a country like Canada if it produced its own fighter aircraft instead of purchasing state-of-the-art United States-built F-18s. Trading for defense goods, though more economically efficient is fraught with risks, since it allows adversaries an opportunity to stop shipments or to interfere with deliveries from other states during wartime.

The resource acquisition dilemma is, in fact, part of a broader political economy dilemma with profound security implications: whether to organize the national economy in accordance with the principles of economic nationalism or those of economic liberalism (Mead Earle, (1986)). An economic nationalist strategy, designed to protect domestic industries through subsidies and various tariff and non- tariff barriers to filter out foreign competition, may ensure that a defense industrial base exists to serve the national security effort when needed. It may also promote economic distortions and inefficiencies that reduce national wealth and that can hamper the pursuit of national security. An economic liberal strategy, based on the free market, specialization and comparative advantage, has the advantage of maximizing national wealth and, consequently, the aggregate resources that the state can devote to national defense (Lake, (1992)). Nonetheless, a free market approach has the adverse effect of extinguishing uncompetitive national industries, which means that the state cannot count on them to supply the war effort if it is cut off from international supplies. At the most basic level, therefore, national wealth, resource allocations and the structure of economic activity can have important consequences for national security.

3- Trade Dependence and Military Strategy

Because all states depend on foreign trade to at least some degree, economic considerations often play a considerable role in influencing national security policies in preparation for war and wartime military strategies. Much of the business of national security aims to acquire secure access to foreign resources that would not be interrupted in the event of war.

In wartime, trade dependence and the importance of supplying the war effort encourage military strategists to target the enemy's economic base as a complement to - or perhaps even a replacement for - battle preparations. As Sir B. H. Liddell Hart argued, grand battles pitting the bulk of the combatants' forces against each other are physically, economically and morally exhausting for both victor and vanquished. An indirect approach, targeting economic targets - such as supply lines, fuel depots, shipments of overseas strategic goods, etc. - can overcome both the enemy's will and the capability to resist, thereby achieving victory more efficiently (Hart, (1967).

Thus, for example, a strategy of naval blockade, that aims to deny the adversary access to critical overseas strategic goods shipments, can paralyze the adversary's war effort (Mahan, (1941)). Indeed, many attribute the Allied victory in World War II to the wide British blockade of the North Sea, which deprived Germany of the food, oil, coal and rubber it needed to continue fighting (Leo and Winkler, (1940)).Similarly, the Germans nearly knocked the British out of World War II with their sustained submarine commerce-raiding campaign, targeting Allied supply convoys in the North Atlantic (Gretton, (1977)).

4- National Security Index

The National Security Index (NSI), constructed by the staff of the National Security Council Secretariat (NSCS), has not yet received the attention it deserves. The index has been published in this year's "National Security Annual Review", an independent publication of scholarly essays on the subject.

The NSI is an average of five other indices, the Human Development Index (HDI), the Research and Development Index, the Gross Domestic Product Performance Index, the Defence Expenditure Index and the Population Index. The last of these is a particularly innovative idea. To be

sure, it is not simply an index of population size for that would be ridiculously trivial. What the NSCS researchers have done is to deflate population size with the HDI, a proxy of human capabilities as quantified by literacy and schooling, health status and per capita income. This is based on the valid argument that while a large population size may be a drag on resources and exerts enormous pressure on the economy and government, an educated and skilled people are an asset. When nations turn people from being liabilities into assets, then a large population size can add to a nation's global influence and enhance its security. That is the lesson for India from China's investment in human development. The NSCS has done well to include this element into estimating the NSI.

The NSI index also places emphasis on technological and scientific capability. Here, it is futile to take a purely quantitative view of our capabilities. It is not the number of scientists and engineers we produce that matters but their quality and productivity and their contribution to the national endeavor. The NSI index is a rough and ready estimate, still very crude and with many gaps in terms of data and concepts. However, it is an important step towards educating the people and the political leadership as to what exactly constitutes national security and how this can be assured through policy intervention.[1]

5- Estimation Method and Results

5-1- Data Sources

The time period covered in the estimation is 1980-2011 across the 6 Persian Gulf countries (Bahrain, Iran, Oman, Saudi Arabia, Qatar and Kuwait). Data are obtained from the World Bank's 2012 World Development Indicators' (WDI's) CD-Rom and on-line WDI 2012 (http://publications.worldbank.org/wdi).

5-2- Our Model and the Results

Therefore, we consider the model:

1 - http://www.financialexpress.com/news/national-security-index/73254/6

$$NSI_{it} = \alpha_0 + \gamma_1 GDPP_{it} + \gamma_2 KOF_{it} + \gamma_3 FDI_{it} + \gamma_4 NM_{it} + \gamma_5 ME_{it} + \gamma_6 TL_{it} + \gamma_7 SIS_{it} + \delta_t + \mu_i + \varepsilon_{it} \quad (1)$$

Where δ_t are the time specific intercepts, μ_i represents country-specific effects that summarize the influence of unobserved variables such as infrastructure, period average climate, history and culture, and which are assumed to be distributed independently across countries, with variance σ_μ^2 , and ε_{it} is the stochastic error term for each country i and year t. The time specific intercepts are included to account for time varying omitted variables and stochastic shocks that are common to all countries.

NSI is National Security index.

GDP per capita (GDPP) is aggregate wealth index, because of a country's wealth affects national security.

The KOF index of Globalization (KOF) is a ranking of the most global countries based on three dimensions of globalization:

1. Economic globalization, characterized as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges,
2. Political globalization, characterized by a diffusion of government policies and
3. Social globalization, expressed as the spread of ideas, information, images and people.

Foreign direct investment (FDI) is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows total net, that is, net FDI in the reporting economy from foreign sources less net FDI by the reporting economy to the rest of the world. Data are in current U.S. dollars.

Net migration (NM) is the net total of migrants during the period, that is, the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens. Data are five-year estimates. To derive estimates of net migration, the United Nations Population Division

takes into account the past migration history of a country or area, the migration policy of a country, and the influx of refugees in recent periods. The data to calculate these official estimates come from a variety of sources, including border statistics, administrative records, surveys, and censuses. When no official estimates can be made because of insufficient data, net migration is derived through the balance equation, which is the difference between overall population growth and the natural increase during the 1990-2000 intercensal period.

Military expenditure (% of GDP) (ME) is a important factor for national security of a country**.** Military expenditures data from SIPRI are derived from the NATO definition, which includes all current and capital expenditures on the armed forces, including peacekeeping forces; defense ministries and other government agencies engaged in defense projects; paramilitary forces, if these are judged to be trained and equipped for military operations; and military space activities. Such expenditures include military and civil personnel, including retirement pensions of military personnel and social services for personnel; operation and maintenance; procurement; military research and development; and military aid (in the military expenditures of the donor country). Excluded are civil defense and current expenditures for previous military activities, such as for veterans' benefits, demobilization, conversion, and destruction of weapons. This definition cannot be applied for all countries, however, since that would require much more detailed information than is available about what is included in military budgets and off-budget military expenditure items. (For example, military budgets might or might not cover civil defense, reserves and auxiliary forces, police and paramilitary forces, dual-purpose forces such as military and civilian police, military grants in kind, pensions for military personnel, and social security contributions paid by one part of government to another.)

Telephone lines (per 100 people) (TL) is Telephone lines are fixed telephone lines that connect a subscriber's terminal equipment to the public switched telephone network and that have a port on a telephone exchange. Integrated services digital network channels ands fixed wireless subscribers are included.

Secure Internet servers (per 1 million people) (SIS) are servers using encryption technology in Internet transactions.

Telephone lines and Secure Internet servers are indexes for technology of countries.

We test the stationarity of variables in the model. Therefore, we make the unit root test of Levin, Lin & Chu and Im, Pesaran & Shin W-stat to test for it. The results show that all variables are stationarity at level (Table 1).

Table 1: Variables Stationary Tests in the Region

Variables	Levin, Lin & Chu- Test		Im, Pesaran and Shin W-stat -Test	
	Statistic	Prob	Statistic	Prob
NSI_{it}	3.36672	0.0000	4.84604	0.0000
NM_{it}	-4.76166	0.0000	-5.38136	0.0000
$GDPP_{it}$	-1.70375	0.0442	-9.23834	0.0001
KOF_{it}	-3.76847	0.0001	-3.94342	0.0000
FDI_{it}	2.66335	0.0000	4.02245	0.0000
ME_{it}	-5.33756	0.0000	-5.22526	0.0000
TL_{it}	2.80451	0.0001	-2.69354	0.0000
SIS_{it}	-3.28537	0.0000	4.56879	0.0001

Given that OLS will yield biased results in the presence of unobserved heterogeneity, either random effects or fixed effects could be employed to obtain consistent results. While the fixed effects model treats the δ_t and μ_i as regression parameters, the random effects model treats them as components of the random disturbance. We employ a Hausman test to test for the inconsistency of the random effects estimate. Furthermore, since heteroscedasticity may be present in the sample because of large variations in the variables, it needs to be tested for in the estimations. A likelihood-ratio test is used that compares a feasible general least squares regression (FGLS henceforth) that is corrected for heteroscedasticity with one that is not. Where the null hypothesis of homoscedasticity could be rejected, robust standard errors are used. A final methodological issue concerns serial correlation in the error term. A Wooldridge test for autocorrelation in panel data is used to test for autocorrelation.

Ignoring first order serial correlation still results in consistent, but inefficient estimates of the coefficients and biased standard errors (Baltagi, 2006). Therefore, where necessary, additional FE models with (FGLS) correcting for AR(1) and FE regressions with Driscoll and Kraay

(1998) standard errors are estimated and compared with the results of the other specifications.

We estimate the equation (1) using fixed and random effects using 1990–2011 panel data for the 6 Persian Gulf countries (Bahrain, Iran, Oman, Saudi Arabia, Qatar and Kuwait). All results are discussed in Table 2.

The all coefficients of the variables except Telephone lines are significantly. I found a positive relationship between GDP per capita, military expenditure and regional security. Because of the high GDP per capita increases the share of defense spending in government expenditure.

The relation between net migration and regional security is negative. Also, a country's economic power is also the measure of its power in international relations, as it has a direct bearing on national security and political power.

The negative coefficient of FDI and KOF indicate that opponents of trade liberalization and foreign direct investment open trade and investment create greater risks to the country´s security. If the country relies on an imported weapon system, or an imported material that is a crucial ingredient of its military equipment, then an enemy could cut off the supplies of these imports and make the country vulnerable to invasion. Trade may also create economic vulnerability. Consider a country that imports goods essential for the economic life of the country, such as food and fuel. If these imports are cut off, accidentally because of a negative shock either to foreign supply or to international transportation systems, or deliberately by a militarily or economically rival power, then the country´s economic welfare can plummet. Reliance on exports can also increase economic vulnerability.

Table 2: The Determinants of Economics Growth in the Region

Variables	Random Effect	Fixed Effect(1)
C	-3.077488 (-0.63)	-8.560178 (-1.67)
NM_{it}	-5.04e-07 * (10.30)	-1.66e-06* (9.89)
TL_{it}	-.4143547 * (-3.33)	-.2860509* (0.59)
FDI_{it}	-1.89e-11 (-0.09)	1.48e-10* (-7.18)
$GDPP_{it}$	.000213* (-3.02)	.0001789** (-2.38)
SIS_{it}	.0095349* (-0.79)	.0073326* (-3.43)
KOF_{it}	.402393* (4.27)	.4475973* (4.70)
ME_{it}	6.36840* (4.64)	5.406523* (5.71)
R^2	0.7635	0.8191
Groups	6	6
Number of observation	132	132
Time periods	22	22
Breusch and Pagan LM test	24.09	
Prob > chi2	0.0000	
Modified Wald Test for group-wise heteroskedasticity(3)		8084.18
Prob > chi2		0.0000
Hausman Test (2)	$\chi^2(2)= 63.73$	
Prob > chi2	0.0000	
Wooldridge test for autocorrelation in panel data	20.365	
Prob > F	0.0002	

Note: T-statistics are shown in parentheses. Significance at the 99%, 95% and 90% confidence
levels are indicated by * , **and ***, respectively.
The robust standard errors are White's heteroskedasticity-corrected standard errors.
(1) The acceptation of model by the Hausman test.
(2) The hausman test tests the null hypothesis that the coefficients estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator. If they are (insignificant P-value, Prob>chi2 larger than .05) then it is safe to use random effects. If you get a significant P-value, however, you should use fixed effects.
(3) For FE regression model, the modified Wald test for groupwise heteroskedasticity is used while the Woolridge test for autocorrelation in panel data (Ho: no autocorrelation) is applied.

The improvement of secure internet servers increases regional security of the region. While advancing technology has made assessing all threats to national security increasingly difficult, assessments of the threat of "cyberwar" or "cyberterrorism" via the Internet may be the most difficult of all, for a variety of reasons. First, of course, the Internet is constantly changing. Indeed, it may be the most rapidly evolving entity in human history. It is difficult, if not impossible, to fix a "moment" on the Internet to

make an assessment that would last more than a few weeks, at most. This is very different than assessing other kinds of vulnerabilities or threats, which change or accumulate much more slowly. Next, even if one were able to narrow one's focus to "critical" systems connected to the Internet, there are no public or even readily available data on how vulnerable such systems might be. Defense computers are buried under layers of secrecy and classification, and private companies are not likely to volunteer such information.

6- Conclusions

National security is the oldest security concept, according to which the focus of security is the country and its interests in immigration, which are protected from immigrants threats coming from other countries. The primary means of (self) protection of countries is their “strength,” which generally refers to military, followed by economic power. Therefore, the interaction between economics factors and national security has become quite a topical issue recently.

In this paper, we examine economics factors influence, as immigration, on Persian Gulf region’s security. The results show that the variables of GDP per capita, military expenditure and secure internet servers have positive effects on regional security. But, FDI and index of globalization variables have positive effects on it. Also, immigration effect on regional security is negative and significant.

References

1- Baldwin, David A. (1989), Paradoxes of Power, Oxford: Basil Blackwell, Chaps. 4, 7.

2- Baltagi, B. H. (2006), Estimating an economic model of crime using panel data from North Carolina, Journal of Applied Economics, 21: 543–547.

3- Blanchard, F. Jean-Marc and Norrin M. Ripsman, (1996), "Measuring Vulnerability Interdependence: A Geopolitical Perspective", Geopolitics, vol. 1, no. 3 (Winter), pp. 225-246.

4- Blanchard, Jean-Marc F. and Norrin M. Ripsman, (1999), "Asking the Right Question: When Do Economic Sanctions Work Best?", Security Studies, vol. 9, no. 1, Autumn, pp. 228-264.

5- Carr, William (1973), Arms, Autarky and Aggression, New York: Norton.

6- Clyde Hufbauer, Gary; Jeffrey J. Schott and Kimberly Ann Elliott, (1990), Economic Sanctions Reconsidered, 2nd ed., 2 vols. Washington, D.C.: Institute for International Economics.

7- Daoudi M. S. and M. S. Dajani, (1983), Economic Sanctions: Ideals and Experience, London: Routledge & Kegan Paul.

8- Doxey, Margaret P. (1987), International Sanctions in Contemporary Perspective, New York: St. Martin's Press.

9- Galtung, Johan (1967), "On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia", World Politics, vol. 19, no. 3, April, pp. 378-416.

10- Grebler, Leo and William Winkler, (1940), The Cost of the World War to Germany and to Austria- Hungary, New Haven: Yale University Press, pp. 5-23.

11- Gretton, Peter (1977), "The U-boat Campaign in Two World Wars", pp. 128-140 in Gerald Jordan, ed., Naval Warfare in the Twentieth Century, 1900-1945: Essays in Honour of Arthur Marder, New York: Crane Russak.

12- Haass, Richard N. (1997), "Sanctioning Madness", Foreign Affairs, vol. 76, no. 6, November/December, pp. 74-85.

13- Hart, B. H. Liddell (1967), Strategy, New York: Praeger, pp. 351-365.

14- Kim Richard Nossal, (1994), Rain Dancing: Sanctions in Canadian and Australian Foreign Policy, Toronto: University of Toronto Press.

15- Kirshner, Jonathan (1997), "The Microfoundations of Economic Sanctions", Security Studies, vol. 6, no. 3, Spring, pp. 32-64.

16- Knorr, Klaus (1977), "International Economic Leverage and Its Uses", in Klaus Knorr and Frank N. Trager, eds., Economic Issues and National Security, Lawrence: The Regents Press of Kansas.

17- Lake, David A. (1992), "Powerful Pacifists: Democratic States and War", American Political Science Review, vol. 86, no. 1, March, pp. 24-37.

18- Long, William J. (1996), "Trade and Technology Incentives and Bilateral Cooperation", International Studies Quarterly, vol. 40, no. 1, March, pp. 77-106.

19- Losman, Donald (1979), International Economic Sanctions: The Cases of Cuba, Israel, and Rhodesia, Albuquerque: University of New Mexico Press, p. 1.

20- Mahan, Alfred Thayer (1941), On Naval Warfare, Boston: Little, Brown, pp. 91-98.
21- Mead Earle, Edward, (1986), "Adam Smith, Alexander Hamilton, Friedrich List: The Economic Foundations of Military Power", pp. 217-261 in Peter Paret, ed., Makers of Modern Strategy, Oxford: Clarendon Press.
22- Millward, S. Alan, (1977), War, Economy and Society, Berkeley: University of California Press.
23- Pape, Robert A. (1997), "Why Economic Sanctions Do Not Work", International Security, vol. 22, no. 2, Fall, pp. 90-136.
24- Snyder, Scott (1997), "North Korea's Nuclear Program: The Role of Incentives in Preventing Deadly Conflict", pp. 55-82 in David Cortright, ed., The Price of Peace: Incentives and International Conflict Prevention, Lanham: Rowan & Littlefield.
25- Weintraub, Sidney (1982), Economic Coercion and U.S. Foreign Policy: Implications of Case Studies from the Johnson Administration, Boulder: Westview Press.