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ECONOMIC SECURITY – NEW APPROACHES IN THE CONTEXT OF GLOBALIZATION

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Abstract: *Nowadays, more than ever, economic relations between states are the ones that define the general character of the relations between them and establish economic security as a concept which cannot be neglected anymore. Globalization, the process that shapes the international environment, undermines the old definition of economic security and forces its redefinition. The article aims to identify and analyse the effects of globalization on economic security and the new approaches it takes in this context.*

Keywords: security; economy; national; globalization; policies

JEL Classification: F520; F590; F600

Introduction

World countries have been facing many ups and downs recently, which, in a global economy that has become more and more integrated, stimulated interest for economic security and forced its redefinition. At the same time, they encouraged the search for political prescriptions to strengthen and increase economic security in the new environment. Globalization, undermining the old definition of economic security, can be found in the centre of the new definition which needs to encompass the causal consequences of globalization and establish explicit reference criteria to account for its effects on economic security (Kahler, 2005, p. 23).

At present, more than ever, economic relations between states are the ones that define the general character of the relations between them. Conflicts nowadays are less about ideologies and taking over state power, and more about the fight to control or obtain resources, controlling territories rich in mineral resources and other valuable goods or routes on which they are brought on the market (Renner, 2002, p. 10).

Economic security is not a new concern for the government, economic instruments being part of the statecraft set of instruments for a long time now, a means to influence other states and their policies (Kahler, 2005, pp. 23-24). International relations analysts that have always acknowledged weapon power did not succeed in reaching a consensus on the importance, usefulness and definition of economic statecraft. Realists contested the usefulness and power of economic statecraft with respect to the normalization of international relations. Neoliberal criticism addressing the realist paradigm claims that an increased economic interdependency in the current context may determine a

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behaviour of collaboration between states against the background of higher prices for escaping this system of relations. Moreover, relations of increased economic interdependency boost the number and chances of coercive, yet non-violent policies that may be used. Simultaneously, these interdependencies may deepen the differences between developed, stronger states and the less developed, weaker ones.

The process of globalization, the movement towards a global economy with respect to the sector of goods, services and capital turns the integration of the economic dimension in national security policies into a need. Last but not least, economic performance is the one that mostly determines the military capabilities of a country and the citizens' welfare (Posen and Tarullo, 2005, p. 3).

Theoretical perspectives on economic security

Starting from Baldwin's statement (1997, p. 12) who claimed that security is a confusing concept, thus requiring further clarification, we may say that economic security is also a controversial concept, with political influences, yet its existence itself in a capitalism system was questioned, given the fact that agents need to be unsure on the market, otherwise the market would be inefficient (ILO, 2004, p. 5-17).

Buzan (1998, p. 95) feels that economic security is located in the intense debates which regard the relations between the anarchical political structure and the economic structure of the market. Various approaches have in view the position of states and societies in relation to the markets', as well as the situation in which individual economic actors have their own demands and their relation with the markets.

In Hough's (2008, pp. 108-111) opinion, the study of world economy is based on three main approaches that, besides being paradigms for its conceptualization, may be understood as ideologies for the increase of economic security. Moreover, economic security, may be achieved twofold: from a liberal viewpoint through a more intense globalization and from a mercantilist perspective through less globalization; and from a Marxist perspective with a radical change at world level. With respect to this, the various ideological positions generate different visions on the priorities of the economic security discourse. However, at present, this discourse is shaped by the liberal agenda and the consequences of its implementation in the field of commerce, production and finance. (Buzan *et al.*, 1998, p. 96).

At the same time, conceptualization and answers to economic security problems may be understood better according to historical, political and social contexts of the states and their societies,

as well as the strategic environment in which they are found (Kolodziej, 1992, p. 422). However, it is important to avoid the exaggeration of the notion of economic security so as not to include all economic risks as they might complicate the elaboration of security policies in an interdependent world economy. This requires a more careful conceptualization of economic security, although it is equally vital to avoid an extremely narrow definition which would normalise peculiar security concerns of a state for all states and societies (Nesadurai, 2005, p. 5).

Traditionally, economy caught the eye of national security by the impact it had on financing defence capacities and ensuring an innovative and efficient war industry, as well as the use of economic sanctions or other non-military instruments. Long-term success of national power depended on the capacity of the state to create and sustain a performance economy and a sustainable economic growth.

Buzan (1991a, p. 19) states that economic security is related to the access to resources, finance and markets which are needed to support acceptable wealth and power levels in the state. Furthermore, Tsereteli (2008, p. 16), with a similar approach, points out that the concept of economic security refers to long-term security of the access to economic opportunities in markets and resources such as people (human capital), capital, energy, water, technology and education. This concept is critical for individuals and nations, only free people being able to build free societies, their freedom drawing on the individuals' economic security. Long-term internal stability of each state is the key factor for national security. However, there is no stability without economic growth and opportunities for natural persons to freely choose economic activities.

Dick Nanto believes that economy is part of the debate on security due to three overlapping roles. The first role aims at economy as source of funding, materials and personnel for military power. The second role deals with economy as a provider of economic security and wealth, and the third one envisages economy as foundation for the interaction between states and common or concurring interests.

Still, from the viewpoint of nation overall, economic security has a wider sense; thus, the role of economy within national security can be regarded from a macroeconomic and microeconomic perspective. From a macroeconomic viewpoint, the problematic addresses budget and diminution of shortfall. The microeconomic perspective focuses on ensuring general wealth conditions to people and the support of other components of national security. Economy lies at the basis of each of them by the supply of funds, human resources and other, capital, products, not to mention culture and an inspiring economic model.

An operational economy is based, in its turn, on fiscal, governmental, monetary and industrial policies, the quality and the amount of human resources, the progress recorded in the field of science and technology, commerce and international capital flows.

In addition, economic security is the existence of necessary means and opportunities to ensure their own welfare within an economic system which is vibrant, accessible and grows steadily. This corresponds to stable revenues, a job or entrepreneurial support to maintain what someone considers being an acceptable standard of living. At the same time, the vague concept of economic security is more dangerous, perhaps, when it lacks during recessions, high unemployment periods and bankruptcy and when there is a gap between economic expectancies and reality. As far as the state is concerned, long-term security greatly depends on the assurance of a dynamic and growing economy (Nanto, 2011, pp. 1-16).

Economic security and the globalization process

In the past years economic, social, political and technological developments stressed insecurity worldwide. World economy became more integrated and more unstable. The increase of global interdependency leads to the increase of vulnerability in economies, whereas a higher economic specialisation induced by commerce (based on the “comparative advantage” principle) sometimes implies painful adjusting from the part of workers and communities which inevitably produce insecurity. Moreover, there has been a high increase of capital flows which became more volatile. Simultaneously, developing countries face superior and more volatile capital flows and their capacity to face them via controls and restrictions was constantly damaged. The financial market recorded a considerable integration which affected the autonomy of political decision at the national level.

World economy became more predisposed to economic crises, deep recessions which imply their sudden spread from a country or region of the world to others. Economic liberalization was accompanied by a growth of systemic shocks which triggered a systemic insecurity, hard to cover via standard insurance forms. Along with globalization, economic crises from a country or region have higher chances to influence other economies. “Contagion” became a fear for all world countries – for instance, further to the crisis of the August 1998 Russian debt, two of the most affected countries in the world were Brazil and Argentina, even if their economic relations with Russia were almost inexistent (ILO, 2004, pp. 21-39).

In Nesadurai’s (2005, p. 4) opinion, an acceptation of economic security that does not consider the state of economic globalization does not correspond to the realities of contemporary life.

Economic security does not stop at the regular fluctuations in the GDP, workforce occupancy, productivity and other indicators that have been major concerns of the specialists in economy for decades and are still in the pipeline for academic studies in the field. In the present context, economic security refers to capital flows worldwide and capital markets and products that are the object of these flows. Through these channels, currencies may be destroyed, inflation passed on, stocks exhausted, and financial institutions destabilized.

At the same time, Kahler (2005, pp. 24-25) identifies three arguments that support globalization as far as economic security is concerned. First, governments, even the ones that sustained the traditional approach of international policy dominated by military force saw the links with global economy as strengths for national economy, technological structure and, ultimately, their military power. The ones that rejected an extended international economic exchange risked conventional military inferiority.

Moreover, globalization had the effect of reducing vulnerability by diversifying suppliers and markets, and the unilateral application of economic sanctions became more difficult, thus diminishing the states' vulnerability. Furthermore, economic liberalization meant that all governments gave up part of their influence on private economic agents, thus reducing the efficiency of statecraft economic instruments. On the long term, economic integration could also aim at a deeper transformation, leading to a redefinition of a vision on national security, a less militarised one.

Globalization brought into discussion new definitions of economic security centred on two types of flows: illicit flows that are harder to control and can easily take the shape of legitimate economic transactions (terrorism, crime, pollution) and economic shocks (financial, to a great extent) that may undermine economic growth, raise inequality and threaten political stability.

Helen Nesadurai (2005) proposes a comprehensive approach of the concept of economic security to consider socio-economic aspects, as well. But on the other hand, comprehensive concerns of economic security focus on the demands of sustainable economic development as means of promoting socio-economic progress. They usually encourage a positive perspective, aiming at the economic interdependence between states which is considered as facilitator when complementary economic interests need following via international economic integration (Boutin, 2014, pp. 8-9).

Besides the economic power that state elites have the intention of ensuring within the political competition between states, three other economic values that states and communities should ensure in a globalized world may be identified. These economic values are represented by the assurance of revenues and consumption meant to cover basic human needs, market integrity and equitable

distribution. These three values are an alternative conception of economic security, one that is able to consider the realities of global capitalism.

In this alternative approach economic security comprises a microeconomic and macroeconomic component. The microeconomic one focuses on the individual, as main referent of security, with the purpose of ensuring revenue security, as well as access to a level of consumption able to assure basic human and family needs. The macroeconomic component refers to the assurance of integrity or robustness of the market to generate economic growth and welfare in society. This may be achieved by ensuring the necessary number of institutions on the market, including a system of property rights and contracts which grant equal access to natural persons for the exploitation of economic opportunities. Economic security is also touched via an equitable distribution system which is now acknowledged as vital for assuring the political stability of capitalism. This economic stability of economic security speaks beyond the world of inter-state rivalry and political power. However, the traditional realist approach needn't be abandoned as it may be representative for some states in certain moments of time (Nesadurai, 2005, p. 13-14).

Conclusions

In a globalized world with an increasing number of players on the international scene (states, multinationals and various international organizations) and a growing interdependence, the economic security it is no longer an issue that concerns the internal state policy only. To a certain extent, economic security became a factor of stability or instability regarding political-military conflicts. As a result, the economic dimension gained an increasing role in the political matters leading to changes with respect to resolution methods, from “reactive to preventive” ones (Kuznetsov *et al.*, 2010, p. 26). “Goeconomics” replaces geopolitics and becomes the key concern of the main actors on the international scene, economic power being acknowledged as essential in the determination of primacy or subordination of states in the international system (Nesadurai, 2005, p. 4).

Significant changes on the international scene, the intensification of globalization, the increase of economic interdependencies, technological development and the IT revolution led to a widening of the concept of economic security. Economic security does not stop at ensuring access to resources, markets and financing of military capacities or the use of economic statecraft elements. The integration and interdependencies of global economy, product and capital flows, the multitude of channels that convey economic crises, socio-economic aspects and implications of the economic

sector regarding welfare, security and development of societies establish the dimensions of the concept of economic security.

Moreover, despite the process of globalization and erosion of state institutions, by the occurrence of new international actors, state institutions remain key providers of economic security. However, in light of the new international environment states need to cooperate between them, with regional and global actors and to evolve in order to face the challenges imposed by the new threats on economic security.

The process of globalization contributed to a change on the concept of economic security, not only that we have a wider and more complex approach with an increased number of involved actors but also a reconsideration of the threats.

Last but not the least, the importance of economic security is given by the implications that the economic component has in the process that ensures the national security, as a generator factor and constraint element with respect to its achievement. In this context, economic security became an important, dynamic and complex concept, that needs to face the challenges of the new international environment, although, the idea of economic security remains one full of “contradictions and paradoxes” (Buzan, 1991b: 445).

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