

Alexander Kelisek – Jozef Klucka – Milos Ondrusek – Stanislava Strelcova \*

## ECONOMIC SECURITY – A PRINCIPAL COMPONENT OF MULTILEVEL SECURITY CONCEPT IN GLOBAL ECONOMY

*Abstract: This paper is focused on the problem of the economic security as the principal component of a multilevel security concept in the present global economy. The authors characterize various theoretical and practical notions of security as the complex phenomenon. The economic security as an integral component of the mentioned security concept is also characterized. The further text is concentrated on the global aspects of economic security, which are depicted in the examples in economies of China, the U.S.A. and the EU.*

*Key words: Security, Economic security, Crisis management, Instruments and tools of an economic security, Global economic competition*

### 1. Introduction

Nowadays there is a real need to create a new approach to questions related to security as a theoretical issue, as well as a real and practical problem.

The main causes of this can be specified through the changing character of risks and menace threatening not only the individual human security, but mostly the state (or integrated groups of states) security, together with interdependence of the separated economies and economic subjects, correlated to their activities in global economic surroundings.

### 2. Security

It can be said that the definition of a security and therefore also of an economic security is mostly focused on intentionally. We can also state that Security as a scientific term is used by several scientific disciplines and it is related to many areas of individual's life or life of society itself, too. It should be underlined, that the perception of selected dimensions of security, "securities" social, economic, food, military, etc., is based on the perception of security as a comprehensive summary of several security dimensions, which are synergistic positive or negative influencing each other in its relation to the requirement of safety and keeping the target function of security's object.

In such a perception of security, it is not about multiple securities, but about several aspects of security, which affects the final level of security, or of danger. It is necessary to draw the attention to a possible ambiguity of security's perception, e.g.:

- A system can be secured in terms of existence assumptions conservation of the objective function (for the internal conditions of the system and ambient conditions).
- A phenomenon or system can be secured/dangered in terms of threatening other systems (it is the system's external effect)
- A subject may perceive threats of its security more sensitively than the real state of the environment and internal system's conditions are, and vice versa.

The source of the presented ambiguity is based on the subjective-objective nature of security as a real state, or perceived threats. Security is a unity of objective and subjective factors. A subjective perception can significantly influence many decisions. Danger perceived as the opposite of security leads to decisions and activities, reducing effectiveness and efficiency of the system (especially in a long-term horizon).

The explicit indication of the security as a situation, which corresponds to the required target behavior and the existence of the assumptions of its sustainability, is used throughout the large number of disciplines.

Šimák and Ristvej distinguish two levels of security – the security of a citizen and security of a society. Security of companies is divided into external (international, military, macroeconomic) and internal (economic, transport, food, health, environmental) security [1].

In the Glossary of Crisis Management, security is defined as a state of social, natural, technical and technological system or any other system which, in specific internal and external conditions, allows a performance of the established functions and their devel-

\* Alexander Kelisek, Jozef Klucka, Milos Ondrusek, Stanislava Strelcova,

Department of Crisis Management, Faculty of Special Engineering, University of Zilina, Slovakia, E-mail: Alexander.Kelisek@fsi.uniza.sk

opment in accordance with the interests of a human and society [2].

Korzenowski [3] presents four elements of a dynamic model of security: an objective situation (threat), subjective perception of this situation, action (decision, action) based on the subjective perception of the situation and the consequences that depend on the objective situation or on the creation of a new objective situation.

Dependence between human security and economic stability is expressed in social relations.

In the old sense of understanding security, it meant a study of threats, using and managing military forces. In the current security concepts, under the pressure of blending and mutual concomitant action of sophisticatedly structured risks, there is extension of the security agenda, because of possible threats arising from the disturbance of the environment, economy, health and international crime, which significantly affect the human (individual and social) security.

Moran [4] identifies three key factors operating in international interpretation: maintaining trade and capital imbalances, increasing the U.S. dependence on other countries in the field of strategic materials and technologies and declining international competitiveness.

Mesjacz provides the following basic security investigation areas: military, economy, politics, environment and society [5].

Presented classifications and definitions of security can be seen as an attempt to comprehensive conceptualizing of security concept considering any of its significant dimensions. This is influenced by a subjective assignment of priorities in relation to the classification of objective reality to more or less structured units whose safety have to be assessed. This is, actually, the impact of subjectivisation in defining security that is natural to the character of security.

### 3. Economic Security

It is just the previously presented necessity of comprehensive perception of all security characteristics that has an effect on opening a dynamic discussion about the issue of economic security as an important dimension of security, which fundamentally affects the overall security level. Various institutes and politicians begin to deal with (mainly from a macroeconomic point of view or if it is possible from a global level) the issues of economic security.

The content of the term "economic security" is evolving. Despite the very limited information sources in available related literature, it is possible to find several different definitions that are often focused only on selected aspects of economic security (They usually define the economic security only at the individual level as a regular access to a sufficient income, or to full citizenship and social pro-

tection). In relation to the orientation of this article, there only are definitions that can be applied universally or accentuate the national security or global dimension of economic security.

The Canadian Council on Social Development defines the economic security as a guaranteed and stable standard of living with a necessary participation level in economy, politics, social policy and culture for the benefit of society [6].

The International Committee of the Red Cross International defines the economic security as a condition for the ability of an individual, household or company to cover their basic needs and necessary expenses in a sustainable way and according to cultural standards [7].

Zeman et al. defines the economic security as a condition in which the economy of object, whose security has to be secured (individual, family, firm, country, alliances of a countries, world, etc.), is not threatened, which reduce in a significant way or would be able to reduce the performance necessity to secure the defense and other security capabilities, social harmony and object's competitiveness and its individual components (in particular, individual companies) in internal and external markets [8].

The economic security can be viewed from a different perspective as the national security and population, but also in terms of actors performing a certain economic activity.

Then the economic security can be defined as security of economic entities and processes and relations between them, but also it can be seen as the sustainability of processes and relations between economic entities in terms of compliance economic efficiency requirements. We can say that the definitions of economic security are more oriented on protecting against negative impacts, more than on a detection of economic efficiency. The economic security can be defined as:

- A state or situation in which the object's economy, whose security should be secured, is not exposed to risks and threats that could be significantly reduced (or being educed) the performance needed for a fulfillment of basic functions and achieving its objectives,
- Principles and tools which are intended to protect individuals and society against economic disaster.

Jiang Yong, who deals with China's economic security, characterises the economic security as a steady growth of people's living standards, through an economic development. Economic security is seen as the composition of two factors: the competitiveness and independence.

Economic sovereignty should be viewed as a measure of independence of the country and its ability to be resistant against external interventions. It contains: "undistributed" economic authority that is inherent to the country and cannot be shared with other nations and "distributed" economic force that can be shared with other nations. In the economy, sovereignty is a reflection of a domestic market control and governance management of key

industries and enterprises. The biggest negative aspect of purchasing and merging of foreign capital is their ability to monopolize the market by reducing competition and undermining China's national security. It is also perceived as an unequal approach to domestic companies vs. companies with foreign owners, as the problem of economic security. It is clear that China must adopt a policy of "selective opening". It follows the need for a selection of foreign business that consumes lots of energy or other resources (energy and environmental threats of security). Another factor is the need for "reciprocity". If China has to open its economy, the same actions from these countries towards China are expected, too [9].

Concerning the diversity of denominations and the content of separated components of economic security for a better orientation and classification, it is good to approach the mentioned characteristics of the economic security, by the aspects of the character and origin:

- Object (objects) – whose economic security is monitored and whose economic security has to be secured
- Threats – by which the object of economic security could be affected,
- Resources – tools and measures by which the economic security of the object (objects) have to be secured.

It is possible to agree with Mareš's definition of the economic security as a state where the economy of the object whose economic security has to be ensured (individual, family, firm, country, alliances of a countries, world, etc.), is not threatened, which significantly reduces or would reduce the performance necessity to ensure the defense and other security capabilities, social harmony and object's competitiveness and its individual components (in particular, individual companies) in internal and external markets [8].

In relation to the nature of the alleged definition it can be stated, there is a need to extend it in terms of economic security for the future economic security object's development.

Especially, requirement to ensure sustainable development except ensuring of resources, capacities and efficiency of target-focused system's processes of social-economics system is the most important component of extended frame of economic security.

Therefore, it can be concluded that the definition and assessment and management of socio-economic system is influenced by this issues:

- securing the sovereignty and integrity of socio-economic system's basic elements,
- efficiency and sustainability of target-focused processes,
- operations of socio-economic system and ensuring of resources for building capacities system's operation and it's sustainable development

The mentioned issues are considered according to previously mentioned classification. On the state's level or level of integration clusters, it can be identified following components of economic security: state sovereignty and integrity of socio-economic system's

entities, transparency and effectiveness of relationships and processes between them, internal resources of economic growth (e.g. raw material base, technical and technological base, the quantity, structure and efficiency of human resources utilization), sources of external growth and assumptions of further development, socio-economic structure and external political relations, security position of a country, assets outside of a home country and optimization of an external state policies. On the level of economic security instruments which affecting the country or integration cluster it is possible to identify particular instruments of internal and external economic policy and economic diplomacy. These instruments are focused on building relations and economic-political-security position of the country or clusters within the frame of a transnational regions or global economy.

#### 4. Examples of Using an Economic Security Tools by Selected States in Global Context

In spite of supporting the globalization processes, we are witnesses of a paradoxical phenomenon in the global economy, namely the existence of several protectionist measures of major world economies motivated especially by security aspects and consequences of such economic transactions.

The case of the Chinese oil company CNOOC gives us the evidence about links between security, economy and policy. "CNOOC in 2005, tried to buy the American company Unocal, the ninth largest petroleum company in the world. This transaction would allow the Chinese access to a strategic source of natural gas in Southeast Asia and other areas. Although, their interest was motivated commercially and the company's management had very broad autonomy, in relation to the government, the American Congress entered into the matter. Its members argued that it was not a market-conform trade. Seventy percent of the company was owned by China; moreover, Middle Empire was banning the U.S. companies from reciprocal purchases of similar assets in China's home territory. The next chapter contained security and strategic arguments. After all Unocal remained "in the family", because it was bought by the U.S. company Chevron." [10]. The Chinese telecommunication company Huawei, which wanted to make a strategic investment in telecommunications, faced a similar aversion. The U.S. Congress hindered the acquisition of the IT Company 3Com in the amount of 2.2 billion USD because of "concerns about the disruption of national security" [2]. In telecommunications, the position of the two Chinese companies, ZTE and Huawei, is very strong in a global context. In 2009 they reported revenues in amount of 7 and 17 billion USD [11]. Economic and technological power of Chinese companies, together with a political background, causes the fact that these firms are perceived as a security risk. On the other hand, they represent very important suppliers for major companies in the U.S.A. and the EU, by the quality/price ratio (e.g. mobile operators).

In comparison to the U.S.A., the positive perception of the tender's economic advantages and acceptance of Chinese producers and operators of telecommunications technologies dominates

in the rating proces of similar strategic investments in most European countries.

In principle, two fundamentally different points of view about the way of considering Chinese strategic investments in the global economy can be identified. The Chinese investments can be perceived to be economically attractive, mainly thanks to a thoughtful monetary policy of the Chinese government. Its monetary policy creates perfect conditions for succeeding China in the global fight for limited natural resources and new markets, particularly through the pro export-oriented strategy of state development with the specific role of the state in China's economic system.

There is an increasing global pressure of the U.S. government and the European Commission on the Chinese government which keeps the undervalued Chinese currency in the artificial position. The result is a highly competitive ability of the Chinese producers/exporters. Another effect is the rapidly growing excess of export over import - China has generated huge volumes of financial reserves in U.S. dollars, which they have tried to invest in world financial markets - mainly in raw materials resources. Moreover, the Chinese government assured the U.S. government that it was going to continue on keeping the high volumes of U.S. dollars as the financial reserves of the Chinese economy. By this approach, the Chinese government affects the economic security of U.S.A. and even a global economic security. In principle, it is possible to identify a deliberate usage of economic instruments to ensure a positive trading and payments balance in the development strategy of China. In present, China tries to build advantageous dependencies on international trade relations and to strengthen its position in the global politics-economics and security context, in order to secure the sources for its future development in a long term horizon. China, by increasing its economic security, also increases its overall security and vice versa, the overdependence of Chinese business partners reduces their own economic security when trading with China.

It is especially the example of China which significantly affects the conditions of the global economy with its pro export-oriented development strategy. China affects the economic security of other countries in a direct and indirect way, too. It documents the importance of developing the concept of economic security on a global level.

An element of state control of strategic economic processes and operations in the long term horizon emerges in the outlined perspective. Taking into account the activities of China and the U.S.A., which are focused on ensuring the future sources of economic development, it can be stated that in the current reality of exhausting natural resources we witness a fight for raw material base (mostly) from the African continent. Especially ensuring resources for future development of the country is considered as a strategic priority of security. In the relation to the Chinese-American "fight for Africa (especially for its raw material base)", This is documented e. g. by the rising of Chinese and African trade balance from 4,1 billion USD in 1992 to 107 billion USD. [12] We can observe two different approaches in this fight for the African resources. The U.S.A. tries to promote its interests in

Africa through transnational institutions, in which it has a significant position, and its involvement in numerous military conflicts. On the other hand, China tries to promote business partnerships through the creation of long-term contacts for the exchange of cheap natural resources for building new infrastructure and deployment, with individual African states.

Therefore, there is a close connection between economic security and energy security. Now the right issues of ensuring adequate resources for sustainable and safe development of the country are major strategic priorities for all dominant economies in the world economy. From this perspective, mentioned China's activities appear to be significant in relation to its future prosperity and also to the improvement of its position in international trade relationships. The question remains, whether a need of ensuring the economic security of the separated states will not lead to a new wave of protectionism in an international community. In principle, this should significantly reduce the global economic growth and it can also lead to increasing of using the economic and security tools to strength the economic security as the important component of strategic national activities.

Another example which highlights the importance of economic security may be considered in the pressure of Germany and France in solving the Greek crisis in the Eurozone. The collapse of German and French banks, which are really badly infected by Greek bonds, considering the large number of small economies in a strong dependency to the German and French economy can cause a domino effect which would significantly destabilize the situation in the EU.

The presented examples show that in the present state of the global economy it is essential to take into account the security implications, in assessing the economic benefits of foreign direct investments. Therefore, it is possible to argue that economic activities could significantly affect the security of all key subject at all levels of the global economy.

Presented arguments implicate a real requirement for a multi-dimensional approach for a security concept. In many cases, there are intersections among the influence of several features of security as a complex phenomenon to the subject of security. Reviewing presented arguments, we can state the rising of the scientific discussion about changing the basic theoretical background and assumptions, but also practical approaches for addressing security issues and problems.

## 5. Summary

We can see that dealing with economic security is an integral part of security as a comprehensive phenomenon, from the presented approaches to security and economic security. More complex elaboration of issues of security and economic security should be a priority in developing the theoretical background and practical approaches of security and crisis management.

It is clear that in the present conditions of the interdependent globalizing world's economy, it is just the usage of economic instru-

ments that create an important component influencing the strategic development of countries. In the environment of an increased global competition, to ensure that security of economic growth includes questions of ensuring economic security to the strategic objectives and expected the future prosperity of the state or the integration unit.

Accenting orientation of developing countries in the strategic objectives of economic security leads to the need of theoretical considering of possible approaches, not only to optimize international-trade position over the world's economy, in relation to the efficiency but also in relation of meeting the requirements for ensuring a sufficiently high rate of economic security of the country. This creates conditions for the continuous sustainable economic

development of the country. Presented facts, practical experiences and also development of theoretical knowledge in the field of using instruments, which support state economic security or reduce the economic security of another country, should result in new strategies of influencing the world economic system by individual countries. This creates new challenges for new approaches to using security and crisis management tools.

Finally, we can state that security became a new phenomenon of a long term development of society, firm, and global world.

Long term economic sustainability has to deal not only with solving the problem of gaining profit, economic efficiency, but also the security and economic security.

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