

The Economic Dimension as the Foundation of a State's Security

Alexandra Carmen Bran

Bucharest University of Economic Studies, Romania
bran.alexandra.carmen@gmail.com

ABSTRACT: In the context of globalization and economic integration in recent decades, the relationship between the economy and national security has become increasingly close. For each state, these links represent both opportunities and potential threats to the country's national security. Definitions of national security have an important economic dimension, and the economy cannot easily be separated from national security. The relationship between the national security and economic spheres is complex and characterized by many close interconnections. For the purpose of this article, national security is understood as those aspects that relate to the protection of critical infrastructure, sectors and processes that are vital for the sustainable functioning of a society. We will examine how potential threats to national security from economic factors can be understood through "risk vectors", which highlight the ways in which the components of "economy" and "national security" interact. The economy has been and always will be one of the basic pillars for building a credible military power and achieving a sufficient degree of security at national, regional or international levels. Professional, well-equipped armed forces capable of dealing with a wider range of risks and threats in the security environment cannot be secured without adequate economic resources.

KEYWORDS: security, economic policies, threats, risk, power

Introduction

The economic determinants of security have become more indisputable in today's international system in that all aspects of potential security and

defence needs require financial, human and material resources. The obvious trends of globalization, where the boundaries between internal and external affairs are blurred, provide a clear link between economics and security.

An increasing interrelationship between the two areas can be observed even on a less detailed analysis of the various strategies and official documents of different regional and international security organizations.

The 2003 EU Security Strategy “A Secure Europe in a Better World” states that “security is a prerequisite for development. Conflict not only destroys infrastructure, including social infrastructure, but also encourages crime, discourages investment and makes normal economic activity impossible” (European Security Strategy 2003).

In this article, we propose a conceptual framework for examining factors related to the economy that could have a disruptive effect on society because of their impact on national security. This approach is in line with the increased emphasis that scholars place on human-centered security, as well as the way in which national security is operationalized in many modern states. As part of this framework, we propose a concept of ‘risk vectors’ - pathways through which national security risks to critical infrastructures, sectors and processes can manifest themselves.

Methodology

As a methodological practice, we have opted for a combination of two complementary approaches: objective and interpretive methodological practice. In objective methodological practice, the main concepts are explanation and prediction based on the analysis of determinants or causes. Interpretative methodological practice uses understanding and interpreting the subjective meanings of situational behaviors by considering the purposes and reasons for action as the main concepts. The integration of objective and interpretive methodology in this article, which is thus intended to be multidirectional, is considered optimal to achieve the expected valid results.

From a methodological perspective, we will proceed to map the books and works of interest, as well as the official strategies and documents of various regional and international security organisations. Given the dynamism of the field and the rapidity with which the map of the balance of power between global actors is constantly being reworked, the specific media channels, as

well as the virtually unlimited information “offer” of the Internet, to which the necessary selection filters are applied, are tools worthy of consideration in any information and data collection action (Diamescu 2012).

Results and discussion

Economy - as the foundation of security

Faced with a range of potential dangers, from terrorism and computer viruses to fraud and organized crime, the world is seen by many as an increasingly dangerous place. As a result, the focus on security issues has increased and the demand for security-related goods and services has grown steadily, giving rise to a wide and varied range of economic activity in both government and business. This is the emerging security economy (Muresan 2009).

From a theoretical point of view, the term security economy represents the way of organizing and setting up an entire system of protection, measures and activities, both public and private, aimed at preventing or mitigating the risks of actions that affect the quality of life and property of the citizens of a state, thus affecting the security of the state. (Diamescu 2012)

One of the most succinct definitions of the concept was offered by Pop (2004): “The economics of security includes economic security, the costs of economic security and economic risks to security as a whole.”

The premise of strengthening the security economics in the context of globalization

Economic efficiency associated with national and regional ambitions, especially those of the major powers, will influence the dynamics of the global economy in the 21st century, and the international economy could increasingly become a space of conflict. Through the rivalries they induce among international actors, these economic conflicts may endanger national security.

In this context, the security industry is a large and growing area of economic activity. Spurred by the perception of rising crime, the threat of terrorist attacks and the increasingly free movement of goods, capital and people, recent years have seen an increase in government, corporate and consumer budgets for security goods and services. This development promises to have far-reaching economic and societal implications in the long term.

The challenge for policy makers is how to respond to the apparent need for increased security without unduly hampering economic efficiency and citizens' rights in liberal societies. Revealing as an example may be that, before Russian President Putin launched his war against Ukraine, Europe faced an increasingly competitive and assertive geostrategic environment. Russia's war in Ukraine has brought the grim reality, such as it is, that Europe is at risk. The threats are growing, multiple and hybrid: military, economic and political. As a direct result of Russia's invasion of Ukraine, EU Member States have already announced increases in their defence budgets of almost €200 billion extra over the next few years.

According to European Defence Agency figures, in 2021, EU member states spent €3.3 billion on research and technology - 1.5% of total defence spending. While this is an improvement on the 1.2% in 2020, it is still below the agreed EDA baseline and the PESCO commitment of 2% (EDA 2020).

Conceptualizing national security in terms of critical infrastructures, sectors and processes

The article takes an approach focusing on those factors related to the economy that could have a disruptive effect on society due to their disruptive impact on critical infrastructure, sectors and processes. This focused approach is consistent with the way national security thinking is operationalized in many modern states.

The following definitions are used in this report:

- ✦ Critical sectors are sectors whose assets, systems, and networks (physical or virtual) are considered so vital that their incapacitation or destruction would have a debilitating effect on national security, the functioning of the economy, and society (U.S. Department of Homeland Security 2019)
- ✦ Critical infrastructure is an asset or system that is essential to maintaining vital societal functions. The destruction, damage or disruption of critical infrastructure can have a significant negative impact on national or EU security and the well-being of its citizens.
- ✦ Critical processes are processes that could lead to serious social disruption if they fail or are disrupted (European Commission 2019).

To illustrate this, Table 1 gives an overview of the definitions of critical sectors in three selected countries: Denmark, France, United Kingdom. These countries were selected on a non-systematic basis based on the public availability of information on national risk assessment processes related to critical infrastructure.

Table 1. Overview of critical sectors and processes as defined in selected countries

DENMARK	FRANCE	UK
-Defence, intelligence and security services	-Communication, technologies and broadcasting	- Chemicals
- Energy	- Civil activities	- Civil nuclear [energy]
- Finance	- Energy	- Communications
- Fire and rescue services, police duties, military assistance to civil authorities, etc.	- Finance	- Defence
- Food	- Food	- Emergency services
-Health and social services	- Health	- Energy
-Information and communication technology	- Industry	- Finance
- Transport	- Legal activities	- Food
- Water	- Military activities	- Government
	- Transport	- Health
	- Space and research	- Space
	- Water management	- Transport
		- Water

Source: RAND Europe analysis of the country strategy papers of Denmark, France and the UK

The lists of critical sectors and processes presented in Table 1 are taken from the three countries' national security strategy documents (French General Secretariat for Defense and National Security 2017; Centre for the Protection of National Infrastructure 2019; Danish Emergency Management Agency 2013).

As shown in the table, there is a high level of similarity in the sectors and processes listed, indicating that certain sectors (such as energy, finance, food and transport, among others) play a critical role regardless of the size of the country or its economy. It is also increasingly important to ensure protection and resilience against threats that apply to all sectors, as they

are interdependent, and the failure of one could have cascading effects on another (U.S. White House 2017).

It is emphasized earlier that a strong economy will also have a defence capability to match. The example of France, one of the strongest economies in Europe and whose position in defence and security equipment gives it strength in international relations, is revealing. France is one of only four countries in the world capable of designing and producing all security systems and all types of weapons, from light weapons to nuclear missiles, alongside the United States, the Russian Federation and China. This strategic situation gives France two major advantages: on the one hand, it provides security - through the ability to deter potential adversaries and the capacity to interfere militarily if necessary - and, on the other, it is an amplifier of political power and influence (Diamescu 2012).

Extrapolating this example to the economics of security, we can say that security has no price, only costs, and a relaxation of financial efforts in this area is likely to quickly lead to illusory security, which can have catastrophic consequences.

However, as a study by RAND Europe shows, there are a number of economy-related risks to critical infrastructures, sectors and processes that are worth considering for policy makers. Seven “risk vectors” have been identified which represent the means by which economic variables and events can impact on critical infrastructure, sectors and processes in ways that could threaten national security. These vectors are:

- ♦ **Ownership (through control and influence)** by public or private actors of critical infrastructures and sectors or ownership of assets in the physical vicinity of critical infrastructures and sectors.
- ♦ **Espionage** and access to sensitive information facilitated, for example, by physical proximity or ownership.
- ♦ **Reliance on natural resources** from third countries and actors for the supply of critical raw materials and energy.
- ♦ **Dependence of suppliers** on other suppliers to maintain critical infrastructures and processes, reinforced by the presence of a skills and technology gap and lack of competition, which can result in reduced efforts to ensure the resilience of critical infrastructures, sectors and processes, and reduced innovation and R&D.

- ♦ **Government intervention** through spending, economic policy and regulation, which can have a strong influence on the quality, availability and resilience of critical infrastructures, sectors and processes.
- ♦ **Corruption and fraud**, which can undermine the resilience of critical infrastructures and create potential opportunities for malicious actors to gain physical or digital access to sensitive assets and information.
- ♦ **Socio-economic inequality** resulting from factors such as economic policies and neo-liberal market forces, which can reduce people's ability to support themselves, and the risk of social unrest and internal instability that threaten critical infrastructures, sectors and processes.-

There are a number of complex interactions between different risk vectors, their underlying factors and the global economic and geostrategic environment, some of which have been highlighted in this article.

However, it is beyond the scope of this paper to examine the detailed mechanism or even quantify the relationships between macroeconomic variables and events, risk vectors and critical infrastructure, sectors and processes. Such a study would require a series of "deep dives" into each of these relationships and would probably benefit from a series of specific case studies on critical infrastructures, sectors and processes to describe, in detail, the underlying dynamics.

Conclusions

Whether national security is conceptualized in the traditional sense or in a broader sense (Ullman 1983; Buzan et al. 1998), the stability and internal functioning of society is also important as part of a discussion of what national security actually means (De Spiegeleire et al. 2012).

Indeed, the uninterrupted functioning of a state's essential political, economic, social, technological, legal, and environmental (PESTLE) processes - such as financial transactions, secure data transfer between government departments, the efficient functioning of emergency services, and more - is critical to a state's ability to protect itself against internal and external threats. A state's ability to function is, in turn, influenced by several key factors, such as the availability of energy sources - without which an economy cannot develop - or the resilience of its critical infrastructure, which includes, for example, the emergency services sector, the energy sector, the financial services sector

and the communications sector, as well as the defence industrial base and the political and democratic spheres (Ronis 2011). Moreover, a strong economic base secured by strategically important sectors and processes, supported by a resilient critical infrastructure, facilitates a country's ability to cope with challenges, whether they are "foreign or domestic, intentional or accidental, and the consequences of human or natural forces" (Neu & Wolf 1994).

Critical sectors and processes that enable economic activity and the general functioning of society - such as, for example, internet access, air traffic control, human rights and contact with emergency services - could be seen as acting fundamentally as a subsystem of national security, as well as more abstract processes such as democratic processes and decision-making mechanisms. These factors are interdependent and interconnected and could be understood as a complex system.

References

- Buzan, B., O. Waeber & Jaap de Wilde. 1998. *Security: A New Framework for Analysis*. London: Lynne Rienner Publishers. https://www.rienner.com/title/Security_A_New_Framework_for_Analysis.
- Centre for the Protection of National Infrastructure. 2019. "Critical National Infrastructure". <https://www.cpni.gov.uk/critical-national-infrastructure-0>.
- Danish Emergency Management Agency. 2013. "National Risk Profile." [https://brs.dk/viden/publikationer/Documents/National_Risk_Profile_\(NRP\)_-_English-language_version.pdf](https://brs.dk/viden/publikationer/Documents/National_Risk_Profile_(NRP)_-_English-language_version.pdf).
- Diamescu, A.-M. 2012. *Economic foundations of the decision in the field of national security*. Bucharest: Expert Publishing House.
- De Spiegeleire, S., E. Chivot and T. Sweijts. 2012. "Reconceptualizing Security." *European security trends and threats in society (ETTIS)*. https://www.researchgate.net/publication/260061836_Reconceptualizing_Security_Final_Deliverable_of_Work_Package_11_Concepts_of_Security_of_European_Security_Trend_and_Threats_In_Society_ETTIS_a_European_Union_Seventh_Framework_Programme_collaborative.
- European Union. 2003. *European Security Strategy: A Secure Europe in a Better World*, Brussels. 12 December 2003, www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf.
- European Commission. 2019. *National Coordinator for Security and Counterterrorism*. <https://english.nctv.nl>.

- European Defence Agency. 2020. *Defence Data 2019-2020. Key findings and analysis*. <https://eda.europa.eu/docs/default-source/brochures/eda---defence-data-report-2019-2020.pdf>.
- Mureşan, D. 2009. *The economic dimension of security in the era of partnerships and alliances*. Bucharest: Amanda Edit.
- Neu, R., & C. Wolf. 1994. *The Economic Dimensions of National Security*. Santa Monica, Calif.: RAND Corporation. MR-466-OSD. https://www.rand.org/pubs/monograph_reports/MR466.html
- Organisation For Economic Co-Operation And Development. 2004. *The Security Economy*, <https://www.oecd.org/futures/16692437.pdf>.
- Pop, N. 2006. *Economic risks - a challenge to national security*. Bucharest: "Victor Slavescu" Financial and Monetary Research Center.
- Retter, L., E. Frinking, S. Hoorens, A. Lynch, F. Nederveen and W. Phillips. 2020. *Relationships between the economy and national security*. Analysis and considerations for economic security policy in the Netherlands. RAND Corporation.
- Ronis, S. 2011. *Economic Security: Neglected Dimension of National Security?* Washington, D.C.: National Defense University Press.
- Ullman, R. 1983. "Redefining Security. *International Security*." 8(1): 129–53. <https://muse.jhu.edu/article/446023/pdf>.
- U.S. Department of Homeland Security. 2019. <https://www.dhs.gov>.
- US Embassy, National Security Strategy (NSS). 2017. <https://ge.usembassy.gov/2017-national-security-strategy-united-states-america-president/a>.