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Economic Security in the Context of Geopolitical Change and Globalisation*

Bezpieczeństwo gospodarcze w kontekście zmian geopolitycznych i globalizacji

INTRODUCTION

The fulfilment of economic threats can be identified at a number of historical milestones. In recent years, however, the importance of economic security has been particularly accentuated in the context of recurrent crises and increasingly violent confrontations between states. However, these always have an economic dimension – either as a cause or as a consequence. At the same time, globalisation processes have changed the old definition of economic security, which was understood as independence from direct manipulation by other governments. Partial issues related to actual threats are part of monitoring and management, one of which is the ability of the state to ensure socio-economic stability internally and externally. Indeed, given the interconnectedness of economies and economic interdependence, any military or non-military confrontation can also cause secondary severe economic harm to states that have nothing to do with direct confrontation. Perhaps this is also because the political view of security often differs from the economic one.

Economic imbalances in social systems are not the only sub-field of study of economic security, and the wide range of factors that shape it naturally raises many questions. Is it possible to anticipate potential crises that place enormous

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demands on public resources? Can they be prevented? What are the key factors shaping economic security today?

This article aims to provide a theoretical framework for assessing risks and how they can be managed in the interest of national economic security. The qualitative research consisted of a content analysis of the available literature and applicable standards. The inductive approach allowed to reveal and name the problem areas.

THEORETICAL BACKGROUND

National security is not only related to national defence in the context of military defence. It has many more dimensions that make a state a safe place. Undoubtedly, a strong economy, globally competitive and stable, is one of them. This determines the position and perception of the state externally (in the geopolitical environment) on the one hand, and the standard of living of the population viewed from the inside on the other. *a priori*, it is not possible to hierarchise the economic elements of national security. Is it the indebtedness of the state, industrial capacity? Energy (in)self-sufficiency? Science and available technology? Human capital?

The relationship between the national security and economic spheres is thus complex and characterised by many close links and feedback loops. Indeed, economic impacts can have devastating effects on the lives of individuals, on businesses and on the economy as a whole. In this respect, the economy is a key element of national security, because an undersized economy undermines security and, at the same time, weaknesses in security strategy can have undesirable economic consequences.

Economic security is usually explained as the ability of individuals to satisfy needs with economic goods, or more generally, to ensure economic well-being in the sense of national security. However, the interpretation of the concept depends on the approaches used and the measurable indicators associated with them. While some approaches attempt to quantify the frequency of certain risks, others measure the consequences or the extent of resources that need to be expended to protect against these risks. However, because indicators that indicate economic risks lack common metrics, it is difficult to determine their severity, as well as to aggregate them in terms of a generalizable concept¹.

In terms of people's subjective perception of safety (feeling), the data sources are mainly surveys, which usually reflect personal experience. In the case of

¹ J.E. Stiglitz, A. Sen, J.P. Fitoussi, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, <https://ec.europa.eu/eurostat/documents/8131721/8131772/Stiglitz-Sen-Fitoussi-Commission-report.pdf> (access: 12.5.2025), pp. 201–202.

objective security (observed reality), we draw on analyses of data and economic indicators, where maintaining economic security means being protected from economic risks over which one may have little or no control.

Potential threats to national security in the context of economic factors can be accentuated along two lines. At the level of the national economy, in the context of comprehensive national security, i.e. in terms of the nature and structure of the economy and its long-term sustainability, its competitiveness or dependence on international trade.

R. Ivančík sees the problem of economic security in globalisation, its discontinuity and the specific risks associated with it, especially in areas such as:

- competition in the market for goods and services, where the formation of economic zones based on geopolitical criteria leads to asymmetries and multiple imbalances;
- the concentration of the economic power of multinational companies and their potential to become a threat not only to the countries in which they operate;
- speculative trends in capital markets and the lack of powers of national authorities to eliminate aggressive foreign investment,
- labour migration and outsourcing, which lead to economic vulnerability for both the country of origin and the country of destination;
- the flow of information, particularly in terms of its speed, stability and standardisation².

However, the events of recent years have highlighted additional challenges and potential risks, whether in terms of economic dependencies, such as on natural resources, on supply chains, on investment, on international economic trends (globalisation, deglobalisation), or on shifts in the geopolitical balance of power, growing instability, insecurity and hybrid threats. Last but not least, there are challenges such as climate change and the increasing frequency of floods and fires, or the scarcity of fresh water sources. Social tensions and exacerbated social relations cannot therefore be ruled out in the future, which may ultimately lead to open conflicts that threaten national security.

We look at a country's economic policy not only in terms of economic efficiency, but also in terms of what implications a particular economic policy or economic interdependence has for the financial security of the country inwards, in other words, for the sustainability of public finances. These are undoubtedly crucial for all other components of national security. Although there has not yet been a consensus among economists as to a clear definition of the term, sustainability of public finances is generally understood as the ability of a government to maintain

² R. Ivančík, *Ekonomické riziká pre národnú bezpečnosť v ére globalizácie*, [in:] *Bezpečnostné fórum 2021. Zborník vedeckých prác*, eds. J. Ušiak, D. Kollár, Banská Bystrica 2021, pp. 69–71.

public finances in such a state over the long term that the solvency of the state is not jeopardised. However, from the history of sovereign bankruptcies we can also identify their impact on state security.

EUROPEAN VISION FOR ECONOMIC SECURITY

The economic and other risks to the security of society are currently rapidly evolving and changing under the influence of deepening globalisation processes, which makes it significantly more difficult, if not impossible, to manage³. As we have seen in the last two decades, Europe has not been sufficiently prepared for new and emerging risks arising from a more challenging geopolitical context. The articulation of the European Economic Security Strategy is the first major effort to assess the risks to economic security. Given the experience of states during the 2020 pandemic and the subsequent impact of the military conflict in Ukraine, European authorities want to focus on risks in four areas:

- resilience of supply chains, including energy security;
- physical and cyber security of critical infrastructure;
- technological security and technology leakage;
- risks of using economic dependencies or economic coercion as a weapon⁴.

Although the European Union is more on the liberal side of the spectrum when it comes to the free market, the issue of protecting strategic businesses has become one of the main themes in the security strategy. A new approach to the protection of European strategic assets for security and public order reasons has been brought about by Regulation (EU) 2019/452 of the European Parliament and of the Council⁵, where a specific type of foreign investment is the so-called critical foreign investment (referring to critical infrastructure, dual-use items, defence industry products, media services, biotechnology, press, cloud computing services, etc.), where there is an indicated increased risk of a negative impact on security or public order.

The protection of strategic assets relies on restrictive measures that should apply to a wide range of investments that create or maintain lasting and direct links between third-country investors and undertakings carrying on economic activities in a Member State. The circumstances and grounds for screening, as

³ J. Dušek, *Vliv sociálního kapitálu na regionální ekonomiku na příkladu spolupráce obcí v Jihočeském kraji*, České Budějovice 2020.

⁴ European Commission, *An EU Approach to Enhance Economic Security*, Brussels, 20.6.2023, https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_23_3358/IP_23_3358_EN.pdf (access: 12.5.2025).

⁵ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I/1, 21.3.2019).

well as the detailed procedural rules applicable, are a matter for the Member States and the specific rules adopted by them. The actual assessment, authorisation, conditioning, prohibition or cancellation of foreign direct investment⁶ is intended to be a response to the expansion of foreign investment in the EU and the growing concerns about the potential impact of foreign business companies on the physical and cyber resilience of critical infrastructure, concerns about potential technology leakage and more generally concerns about the impact of foreign capital on the economy as a whole. In addition, the declared initiatives of the European authorities in the context of the economic security strategy are directed towards screening foreign investment in the EU, improving coordination in the area of export controls and support for research and development and research security.

ECONOMIC DEPENDENCIES AND ECONOMIC COERCION

The weaknesses of some European economies in the international division of labour can be illustrated in Slovakia, which ranks among the most export-oriented economies in the world. Slovakia's share of exports in GDP will reach 85.1% in 2020 and 92.4% in 2021⁷. Moreover, it is characterised by a strong orientation towards the automotive industry and, like Poland for example, is disadvantaged in global supply chains by specialising in a low value-added manufacturing function⁸. However, the competitive advantage of many post-communist states, based on low personal costs, is fading, and they are increasingly exposed to risks stemming from disruptions in the supply of inputs⁹ and intermediate inputs, which are one of the main categories of products imported from abroad. Although also due to the poor state of transport infrastructure or, as we have seen, due to the closure of national borders during the pandemic.

Paradoxically, specific efforts to reduce dependence on critical mineral resources from Russia may end up hurting states even more and helping Russia to make more money. For example, despite several packages of sanctions against Russia, the European Union has established exemptions for 34 types of "critical"

⁶ A. Vartašová, K. Červená, M. Bujňáková, *The Impact of Legislation on Foreign Direct Investments in the Slovak Republic*, [in:] *SGEM 2016: Political Sciences, Law, Finance, Economics and Tourism*, vol. 3, Sofia 2016.

⁷ World Bank, *World Integrated Trade Solution*, 2023, <https://wits.worldbank.org> (access: 12.5.2025).

⁸ A. Kordalska, M. Olczyk, *Upgrading Low Value-Added Activities in Global Value Chains: a Functional Specialisation Approach*, "Economic Systems Research" 2022, vol. 35(2).

⁹ In electricity generation, Slovakia is in the position of a net exporter, but as regards gas, in 2021, 98% of domestic gas consumption was imported, primarily from the territory of the Russian Federation.

raw materials that cannot be replaced, either because of the required speed of these supplies, their price, or the global shortage¹⁰.

The declared solutions consist in diversification of energy raw material sources and transit routes, increased use of renewable energy sources and, above all, changes in the structure of economies. They are logical, but too time-consuming and institutionally demanding to rely on immediately.

Similarly, maintaining competitiveness in an environment of now concentrated capital and the influence of multinational corporations will be far from easy. According to data available in the EuroGroups register, in 2021 there were a total of 155,983 multinational enterprise groups operating in EU and EFTA countries, and around 20% of employment in Europe works for a multinational enterprise group, with the 5% largest multinational enterprise groups accounting for 82% of employment in these groups¹¹.

Therefore, if on the one hand it can be seen as supporting domestic firms as a positive step of the state's economic policy, on the other hand, it can be seen as a protectionist measure and may ultimately end up as a retaliatory countermeasure. Fears of economic dependence being abused or of economic coercion being used as a weapon are not unfounded. Already at the end of the Cold War in the middle of the last century, the rivalry between the world's great powers shifted precisely to the economic level. Indeed, controlling a country's market and industrial base means gaining a strong influence over a particular economy and within the world economy¹². The existence of a new phenomenon, "economic warfare", has been suggested by E. Delbecque and C. Harbulot in their analysis of geo-economic strategies¹³. They see it as an alternative or complement to military engagement. The Oxford English Dictionary defines economic warfare as an economic strategy based on the use of measures whose primary aim is to weaken the economy of another state. Similarly, the Encyclopaedia Britannica considers economic warfare to be the use or threatened use of economic means against another country to weaken its economy and thereby reduce its political and military power. Alternatively, to change its policies or behaviour. Common methods of economic warfare include embargoes, restrictions on imports or exports of strategic shapes, sanctions, investment bans, etc.; on the other hand, the same measures are a common part of protectionist protection of the internal market, blurring the line between "attack"

¹⁰ L. Hríbik, *Od vypuknutia vojny na Ukrajine doviezla Únia z Ruska suroviny za takmer 14 miliárd eur, problému si je vedomá*, 26.10.2023, <https://sita.sk/od-vypuknutia-vojny-na-ukrajine-doviezla-unia-z-ruska-suroviny-za-takmer-14-miliard-eur-problemu-si-je-vedoma> (access: 12.5.2025).

¹¹ Eurostat, *Structure of Multinational Enterprise Groups in the EU*, 2021.

¹² A.L. Friedberg, *The Changing Relationship between Economics and National Security*, New York 1992.

¹³ E. Delbecque, C. Harbulot, *La guerre économique: Que sais-je*, Paris 2011.

and “protection”. The issue is to distinguish between “attack” and “retaliation” in economic reality. Unlike in the military sphere, this is not nearly so simple.

CONCLUSIONS

Globalisation processes have revealed new dimensions of vulnerability in economies. These include complex value chains, energy dependence, the concentration of exports and imports, increasingly frequent macroeconomic imbalances, unpredictable crises, cyberspace and hybrid threats, etc., which are very difficult to predict in the light of the experience of recent decades. It turns out that, whether it is a private sector problem or a public sector problem, the problem is always reflected in public finances as a negative impact. It is difficult to prevent potential economic problems, just as it is difficult to predict people’s behaviour, but we can name the factors that will undoubtedly be a challenge for maintaining economic security in the years to come. The wide range of these factors naturally raises many questions as to the size of the risks and the effort to quantify the consequences when the risks materialize, the eventual cost of remediation, the cost of prevention from these risks, etc. Both governments and supranational authorities are trying to find answers.

The dynamism and instability of the world economy, the widening gap between rich and poor regions and entirely new economic challenges point to a deglobalisation trend in recent years. Even this is far from being able to return states to pre-globalisation levels. If for no other reason, it is because of the aforementioned heavy dependence of states on foreign investment, energy dependence and dependence on imports of raw materials and food. The possibility of diversifying inputs, energy independence and diversification of supply chains as a solution to the problem risks increasing the prices of these inputs and complicating supply and demand relations. This may ultimately hamper these efforts. This is also because globalisation has enabled the concentration of production, but economies have lost sight of the complexity of production. What we can therefore see today is a very strong fragmentation of production processes, which can be seen as one of the significant potential risks in terms of the resilience of global supply chains. Diversifying both the sectoral structure and export markets in the interests of sustainability is a very uncertain outcome pro futuro.

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LEGAL ACTS

- Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I/1, 21.3.2019).

ABSTRACT

Globalisation processes have revealed new dimensions of vulnerability in economies. These include: complex value chains, energy dependence, concentration of exports and imports, increasing macroeconomic imbalances, unpredictable crises, cyberspace and hybrid threats, etc. Based on known facts, the article theoretically defines selected risks of economic security in terms of the concept of national security, points out the efforts of national and supranational authorities to eliminate these selected risks, and outlines potential challenges of economic security in terms of national security.

Keywords: security; risk; economy; globalisation; crisis

ABSTRAKT

Procesy globalizacji ujawniły nowe wymiary podatności gospodarek na zagrożenia. Należą do nich: złożone łańcuchy wartości, zależność energetyczna, koncentracja eksportu i importu, rosnące nierównowagi makroekonomiczne, nieprzewidywalne kryzysy, cyberprzestrzeń i zagrożenia hybrydowe itp. Na podstawie znanych faktów w artykule teoretycznie zdefiniowano wybrane zagrożenia dla bezpieczeństwa ekonomicznego w kontekście koncepcji bezpieczeństwa narodowego, wskazano na wysiłki władz krajowych i ponadnarodowych zmierzające do wyeliminowania tych wybranych zagrożeń oraz nakreślono potencjalne wyzwania dla bezpieczeństwa ekonomicznego w kontekście bezpieczeństwa narodowego.

Słowa kluczowe: bezpieczeństwo; ryzyko; gospodarka; globalizacja; kryzys