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The Concept of Economic Security and the Principles of Economic Security Policy in Lithuania

The main objective of the article is a critical evaluation of the concepts of economic security which are based on the assumption of the state as a unit of analysis, how these concepts are analysed in scholarship and used to support applied measures of economic security policy.

The article also aims at answering the question what is and ought to be the concept of economic security in current Lithuanian politics. The authors do not strive to solve an old and essential problem of social sciences – the methodological choice between individualistic and collectivistic analysis. The goal of the article is just to show the main contradictions in theoretical analysis and political practices between those two approaches when dealing with the problems of economic security. The article admits the wide spread usage of the holistic approach and the fact of policies being based on this approach. However, the use of these measures often causes negative consequences – not only weakening of economic security of individuals, but, in the long run, of states as supra-individual institutions. To expose those measures and inconsistencies is another goal of the article. On the one hand, this makes the analysis more normative, on the other hand, it provides more insights on the topic.

The article discusses the concept of economic security, different levels and scope of its analysis. Two different approaches – holistic and individualistic – and their interrelations are presented in more detailed way. The main focus is on how these two different approaches understand and use the concept of threats, as well as the impact of collective measures of economic security and their impact on individuals.

Introduction

Economic security is one of the topics of interdisciplinary studies, which is popular both in public debates and in academic discourse. During the period of the rise of the price of energy resources or at the time when economic power is used to attain political ends the economic security is especially widely discussed in public debates.

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It has already become a tradition to cover topics of economic security in the literature of international relations. Proponents of realist school in international relations who usually take sovereign power as a unit of their analysis and presume the interest of such powers to preserve and expand by using not only military but also economic measures are those who usually discuss the issue most extensively. But the concept of economic security itself is to be related not only with governments (states) but also with the other units of analysis, individuals first of all. Relations between those different units of analysis not only shows interdisciplinary character of the concept itself, but also a tension between measures taken on government (state) level and their effect on citizens of those states. It also helps to analyse the impact of activities of individual citizens and interest groups on the state policies and the welfare of the majority of citizens.

The problematic of economic security is usually discussed in Lithuania as being related to the supply of energy resources from Russia. The accumulation of resources, diversification of suppliers, and other measures of economic policy are grounded by the motive of security. The problems of economic security and measures to deal with them are described in the Law on Basics of National Security of Lithuania. Those problems are also addressed in a number of previous collective volumes of this Annual. None of the works however did attempt to analyse the relation between the state and the individual economic security more deeply and the tension arising from this relation.

Therefore the main objective of this article is a critical evaluation of the concepts of economic security which are based on the assumption of the state as a unit of analysis, how these concepts are analysed in scholarship and used to support applied measures of economic security policy. The article also aims at answering the question what is and ought to be the concept of economic security in current Lithuanian politics. The authors do not strive to solve an old and essential problem of social sciences – the methodological choice between individualistic and collectivistic analysis. The goal of the article is just to show the main contradictions in theoretical analysis and political practices between those two approaches when dealing with the problems of economic security. The article admits the wide spread usage of the holistic approach and the fact of policies being based on this approach. However, the use of these measures often causes negative consequences – not only weakening of economic security of individuals, but, in the long run, of states as supra-individual institutions. To expose those measures and inconsistencies is another goal of the article. On the one hand, this makes the analysis more normative, on the other hand, it provides more insights on the topic.

The article discusses the concept of economic security, different levels and scope of its analysis. Two different approaches – holistic and individualistic – and their interrelations are presented in more detailed way. The main focus is on how these two different approaches understand and use the concept of threats, as well as the impact of collective measures of economic security and their impact on individuals.

1. The definition of economic security and its application in Lithuania

The concept of security in general and economic security in particular had different meanings in the history of humanity. It has no conventional understanding and still remains the object of theoretical discussion up until now. Economic security is understood as many different things today, e.g.:

- The stability of economic power of the state and the ability of the state to finance its defence needs;
- The provision of “strategic goods” (such as energy resources, etc.) to a country;
- Diversification of foreign trade;
- Non dependence on dominant actors in international economy;
- Security from economic espionage;
- Good macroeconomic situation;
- Security of property;
- Social security of individuals, for example, income, necessary to finance a certain level of quality of life;
- Employment, certainty of work places and profits.

Certain aspects of economic security, such as energy security or social security are also sometimes analysed in the context of economic security, sometimes as isolated topics.

It is also important to stress that economic security is one of the aspects of state security besides the military, political, social (socio-cultural), and ecological aspects. The economic security, however, is intertwined with those other aspects¹. This may be discovered from the analysis of different concepts of economic security which were dominant in different societies over time.

It is worth to notice that economic security is usually not understood systematically, but analysed only as a part of a general concept of state security instead, where some essential economic aspects such as provision of strategic resources, social welfare, institutions to ensure market process, diversification of economic activities are stressed. Only few states have adopted detailed and systematic strategic documents on their security policies, where, among others, threats on economic security and means to deal with them are described systematically. Russian Federation may be named as a country where principles of the policy of economic security are described.

Economic security becomes one of the major fields of national security in Lithuania but also has a very broad meaning. The Law on Basics of National Security of Lithuania uses the broad concept, which links economic security not only to the defence power of the state, but also to the development of the state in general. Provi-

¹ A. Grebliauskas states that even though the strategy of economic security has not to contradict the National Security Strategy, it is to be derived from economic strategy. The conclusion could be accepted if we accept the need to have detailed economic strategy of the state. The necessity of such strategy however is doubtful if we accept that economy is the field of action of private actors, not the state, and the state only influences economic activities by regulating them.

sions on economic security in the Law on the Basis of National Security of Lithuania and the Strategy of National Security are not derived from any explicitly defined concept of economic security. Provisions themselves are to embrace everything that is related to the topic. The law describes a number of risks and threats which may threaten economic security. Threats related to foreign territories, such as economic pressure, blockade or other hostile economic actions; dependence of the whole branch of economy on one foreign country or a group of countries; politically motivated capital investment; the takeover of the ownership or control of energy or other enterprises, institutions of strategically important sectors, main communications (railways, highways, seaport, airports); energy dependence on one or a particular group of countries; vulnerability of the functioning of energy sector; the scope of foreign debt which may destabilise financial system; destabilising interventions into financial – banking system. The dangers from inside the territory of Lithuania are also named: the reduction of working places, production or gross national product to the critical level, structural or technological backwardness of the economy; criminalisation of economic activities; uncontrolled level of economic crimes; banking and financial crises and financial panics; destabilisation of national currency; the reduction of reserves of Lithuanian bank below the critical level; the debt of the states higher than financial abilities of the state; abnormal differences in the welfare of different groups in society which may lead to social conflicts; personal insecurity of individuals.

Such a broad list of threats causes a problem of choosing proper methods to ensure economic security, because those measures are closely related to the main principles of economic policy in general. Moreover those measures are often to be implemented by others rather than the state. The attempt to look at the economic security in more systematic way reveals its close relations to the welfare. This, on the other hand, dilutes the essence of the economic security policy, which in fact becomes not so much a part of security as it is a part of economics.

Eclectic tendencies may also be noticed in the field of measures to deal with the threats to economic security. The law names four major provisions of internal economic policies:

- The Parliament has to name enterprises which have strategic impact on national security, the form of ownership of those enterprises and how private capital may be used in the ownership of those enterprises;
- The government has to provide with alternative ways to provide fuel and raw materials;
- The protection of banks and financial system from fraud and money of unclear origin;
- The restructuring of Lithuanian railways according to European standards (the harmonisation of the railway ruts to the European ruts standards).

The eclecticism may also be noticed when those provisions are detailed. Let us take the Law on Enterprises and Equipments which have Strategic Impact on National Security and other Objects important to National Security, which in the essence has a goal to name those objects which may not be privatised, as well as objects where the government has to retain its decisive powers as an example. The law is not grounded on any analysis or explicit goals and there are no criterions to answer why some

objects may not be privatised. Those provisions rest on unproven hypothesis that security may be provided by retaining public ownership, limiting activities of private enterprises and active role of government. The fact that the importance of the object has nothing to do with the statement that national security is better ensured when this object is governed by the state is completely ignored. From the long run perspective public ownership itself may become a problem and national security may be reduced because of ineffectiveness of public enterprises or politically motivated governance of those enterprises, for example, using them just to attain political ends or being captured by interests groups.

2. Methodological differences: “sovereign” (holistic) and individualistic approach to economic security

Several levels of analysis are identified in international relations. M. Hollis ir S. Smith systematise them into three levels: 1) International system *versus* national state; 2) National state *versus* bureaucracy; 3) Bureaucracy *versus* individual². The tension connected to the issues of economic security emerges on all those levels.

The essential difference between two main schools in social sciences which treat the unit of analysis differently – holistic (holistic analysis in this case is related with the concept of sovereignty of the state) and individualistic - becomes evident in analysing economic security no less than in analysing other social issues. According to the holistic approach security is analysed from the perspective of the state, according to the individualistic approach - from the perspective of the individual. This methodological dividing line causes differences in both understanding of economic threats and goals of economic security policy. Holists base their analysis on the understanding that economic security is security of a state from other states or other kind of threats. According to the opinion of the proponents of individualistic approach economic security has to ensure safety of individual interests from economic threats. To sum it up holistic and individualistic approaches differ according to two essential criterions: 1) whose security is taken into account (individual or state); 2) what kind of methodology is used to analyse those questions.

Holistic concept is dominant in international relations studies up until now, especially in the works of one of the dominant schools – (neo)realism. This school analyses mostly the issues of security of the state as such while the other branch of the discipline of international relations – international political economy, especially European integration or nongovernmental organisations studies, focuses on the internal politics and its actors: business interests groups, bureaucratic institutions, nongovernmental organisations or on supranational bodies. The holistic approach is used in international studies mainly because international relations are treated as relations among states and other collective entities, and only in some special cases, usually not related to security but rather to economic relations in general, with individuals and their associations from different states.

² Hollis M., Smith S., Tarptautiniai santykiai: aiškinimas ir supratimas [International Relations: Explaining and Understanding]. Vilnius, 1998, p. 17 (in Lithuanian).

Holistic approach faces two kinds of problems. From the descriptive point of view it is not accurate because the reluctance to take an individual as a starting point of the analysis and hypostatic understanding of social institutions makes it impossible to analyse the issue theoretically, and the only possibility remains to rely on observations and correlations and to analyse the data using only interpretation but not theory in the strict sense. In other words, the concept of security in this case will always be historic, and political science will be dependant on many circumstances when dealing with security. No apodictic statements may be produced in this case.

The other problem related to holistic methodological approach is of a more normative character – the approach does not correspond much with the principles of liberal democracy and civil society because those principles acknowledge primacy of individual, not the state. This means that state interests are not above those of individuals. This may be treated not as a serious methodological disadvantage especially having in mind the insights of public choice school that public institutions act in the interests of those individuals who take decisions (political elite, bureaucracy, etc.) but not in the interest of all individuals (dispersed interests). But we have to stress that political declarations state just the opposite. This undercovers basic contradiction when policies, which declare the primacy of individual with respect to the state and its institutions grounds its policies on theory which contradicts the essence of these declarations.

In order to choose the proper methodology to deal with security and to describe the object of the security in a proper manner it is important to stress that only the individual is a member of society, the final, undividable, decision making and acting subject. Popular phrases, such as “interests of the state”, “security of the state”, “government decision” and others, are methodologically misleading, even though they are simple, user friendly and therefore attractive. On the other hand it is to be acknowledged that individualistic approach to security may be related to many different aspects. Contrary to holistic approach, it almost always loses its international character and becomes essentially the problem of internal politics. Individualistic approach is more widely used to analyse different aspects of internal economic and social policy. Individualistic approach is also more often declared (but not necessarily used) in analysing liberal democracies.

Individualistic methodology does not mean that those wide spread phrases to name social institutions and their activities may not be used. The most important thing is to understand the lack of the methodological precision of such phrases that imply collective actors and to pay attention to several particular aspects.

First, as it has been shown by a public choice school, even those decisions which are taken in the name of the state are still decisions of individuals, state interests are usually just interests of individuals or interest groups. The state itself may act only through individuals, who act in their own interests even if they are in a position of bureaucrat or a politician³.

³ Mueller, D. C. Mueller, D. C., *Perspectives on Public Choice*. Cambridge: Cambridge University Press, 1997.

Second, not only (and usually) state and its institutions, but individuals and their economic units are actors in economic relations. In other words, there is no such thing as trade among states. There is trade among individuals belonging to jurisdictions of different states and firms settled in different states. Trade among states is just a useful simplification of language or statistical concept. This does not mean that activities of the state, such as duties, subsidies or non tariff barriers, are not important in economic relations. These activities do have direct impact on economic decisions and welfare. But if this practice is taken onto methodological level it is very easy to make wrong conclusions that states do trade and compete and to accept wrong and costly to the citizens of the state measures in foreign trade (such as custom duties, which benefit some interest groups but harm all citizens).

Third, it is understood that the state is to serve people in the civil society, not the vice versa. This goal is very important in the field of economic security as well. This means that state economic security is just the outcome of the economic security of its citizens.

It is obvious that individual economic security may be harmed by collective (including state) action. In order to avoid certain risks there is also a need to take collective action. The collective action is also very important because, as it was mentioned before, the state is usually treated as the main actor in international arena⁴. The economic security of the state may be analysed, but it has to be taken into account that threats are always threats to certain individuals. The tension between individualistic and holistic approach is also softened if we treat the state as an association of individuals⁵. The similar approach is taken in the National security strategy of Lithuania. It is stated there that Lithuanian Republic treats its security as, among others, “economic security of economic units and inhabitants”, and this is the only economic aspect of national security explicitly named in the Strategy. This position is relevant to the dominant approach in social sciences since the end of Cold war, when the individual and nongovernmental groups (corporations, nongovernmental organisations) have been treated as more and more important objects of security or threats to security⁶.

Economic security is always security of individuals. Of course, it depends on many factors what threats and what groups of individuals have to be analysed in order to cover important aspects of economic security. The starting point may be related to two aspects. First, the threat to individual economic security may be analysed on national level when this is a threat to a group of individuals, to which all or most of individuals in the country belong (for example, consumers, workers, tax payers, etc.). In other

⁴ Even though the tendency of the weakening of the states is observed national sovereign states try to keep their status of main actors in international arena. Even international treaties and international organizations are used to attain this goal. One of the theoretical discussion points among scholars of integration and globalisation is whether globalisation and integration weakens or strengthens the sovereign states, and what kind of international or regional organisations and treaties are used to strengthen the possibility of their control over societies.

⁵ It has to be acknowledged in this case that decisions of the state as of association of individuals (public policy) are compulsory and enforceable – its members have no choice not to obey the regulations or other decisions. They may only leave the state by choosing to obey jurisdiction of another state.

⁶ Janušauskienė D., Novagrockienė J., “Perception of Security Issues by Lithuanian Population”, *Lithuanian Annual Strategic Review 2002*, Vilnius: Lithuanian Military Academy, 2003, p. 297.

words, economic security of particular enterprises or their employees which has no direct effect on the economic security of the majority is not to be analysed on national level. Second, factors affecting individual economic security are to be analysed as economic security issues when these factors are closely related to the state as an institution.

3. Guidelines for the Economic Security Analysis

The concept of economic security is directly related to the concept of economic threats. Security is even being described as the absence of threats⁷. This definition, however, is problematic, because the majority of situations related to economic threats and economic security do not fit into a simple scheme where threats either certainly do exist or certainly are absent. Threat as a potential risk for important negative turn in the course of events is always a feature of any given situation. From the dynamic point of view the situation looks similar – none of the actions can be treated as either unambiguously reducing or unambiguously increasing insecurity. Even measures reducing some particular threats usually create or increase other threats. Despite this after concluding the analysis the security of whom ought to be analysed the analysis has to be started with the concept of threats.

The level and the nature of the analysis have to be decided when analysing economic security. The economic security may be affected by many different forces: foreign or domestic state as such, particular institutions of the state (domestic or foreign), non state institutions, individual actions, factors not related to human activities.

3.1. Foreign States

(Neo)realism which is one of the leading schools in the studies of international relations does not distinguish between security in general and the external security of the state the security in international relations being understood as a balance of powers of states as the main actors. Even though the role economy is more and more widely acknowledged, economy is subordinated to the state and treated as one of the aspects of the power of the state (“economic power of the state”).

States are de facto not the sole or even main players in international relations, and economic relations depend more on individual and interest groups interests than on national interests. The approach that the state as such is very powerful tool in influencing economic security is however correct. The state being the tool which is often used to implement group interests often imputes its will on actors of economic relations. Those actors have to adjust their actions and relations to other actors, especially residing in foreign states. The great number of nation states also still directly participate in making economic decisions. Thus the motivation of economic actors directly depends on the policies of the state and this may also negatively affect the economic situation in foreign countries.

⁷ *Ibidem*, p. 298.

When speaking of the state it is important to draw a proper attention to the fact that even though the state is usually treated as a unit (it is especially characteristic to the realist school), this precondition has to be evaluated critically. It is important that the state as such is not an undividable unit, but rather consists of institutions, which are also the actors and decision makers limiting or determining the state. This essential hypothesis of the analysis on the role of interest groups and institutions on political decisions and the results of the policies is already taken into account in major works on international relations. The best examples of such analysis are the usage of the game of two or more levels when analysing the process and the outcome of international relations. Thus the state is a sophisticated mechanism and its effect on the economic security of other states is determined by those interests of interest groups which may be more effectively (from the point of those interest groups) realised with the apparatus of the state.

The threat of other states on the economic security of a particular state is often overestimated or interpreted incorrectly. First of all, none of the states is able to isolate itself from the world economic order. Even if it is possible, those measures would cause painful consequences to have this kind of policy for a long period. The attention is drawn since the 1970s that the state is not so important an actor in international relations as it used to be⁸. The attention is also drawn to the fact that states are losing their factual sovereignty because they are forced to comply with the rules of international economic order. Those states who try to resist integration are not able to ensure growth any more.⁹ It is also evident that state internal policies have also to be subordinated to economic order and the state usually even has no possibility to act differently.¹⁰ At the moment maybe only North Korea is trying to act in an opposite manner and not comply with the economic rules (with all following negative consequences being obvious). It certainly does not mean that all other states are acting the same way and are evenly economically open. We may observe that the economic order we are speaking about has more and more features of capitalistic societies, and those societies who do not follow the capitalistic model either collapse or decide to take this model as their own.¹¹ This role of this historical excursus is just to illustrate theoretical conclusions on the better efficiency of the market comparable to the attempts to introduce different economic systems.

Taking into account the growing number of international initiatives (the World Trade Organization being among the most important), which reduce the possibilities for domestic interest groups to use the state as their instrument, also the increasing state interdependence and the growing opportunities for choice of supply, the threat from other states for a country's economic security is decreasing. Even the organized

⁸ Hollis M., Smith S., (note 2) p. 43.

⁹ Hollis M., Smith S., (note 2) p. 44; Gilpin R. *Tarptautinių santykių politinė ekonomija*. [Political Economy of International Relations], Vilnius: Algarvė, 1998, p. 101 (in Lithuanian).

¹⁰ Strange S., "Politinė ekonomija ir tarptautiniai santykiai" in Booth K., Smith S., sudar., *Tarptautinių santykių teorija šiandien* ["Political Economy and International Relations" in Booth K., Smith S., eds., *International Relations Theory Today*], Vilnius, Algarvė, 2000, p. 157 (in Lithuanian).

¹¹ Halliday F., "Šaltojo karo pabaiga ir tarptautiniai santykiai" in Booth K., Smith S., sudar., *Tarptautinių santykių teorija šiandien* ["Cold War End and International Relations" in Booth K., Smith S., eds., *International Relations Theory Today*], Vilnius, Algarvė, 2000, p. 60-61 (in Lithuanian).

economic sanctions against certain states are becoming increasingly rare and less effective. The use of economic pressure also becomes increasingly less likely.

The response to economic sanctions is also often overstressed. The traditional response to such measures – the use of such economic instruments usually does not hurt the state from which the threat originates, but its citizens which often have little to do with the sanctions applied. If we assume that to threaten with economic policy measures (blockade, trade restrictions) to other states is in the interests of narrow groups rather than dispersed interests (most of society), the response with similar measures (trade wars, or tit-for-tat policy) will have little impact on the unfriendly state which started the threat and application of sanctions. Most importantly the counter-measures which are taken in response to economic sanctions will not only hurt the interests of citizens in the threatening, but also in the home country.

3.2. State domestic institutions

The absolute majority of military conflicts these days are not the interstate wars but the intrastate, domestic conflicts, which, as some studies claim, originate out of inability to integrate certain social groups into the political processes¹². This observation is even more valid when we analyse the economic security – economic insecurity, even if often related to foreign states, essentially depends on domestic state policies and structures. This observation is also important because it can constructively direct the analysis towards the concrete measures of increasing economic security. In addition, this domestic risk factor of economic security is important due to the fact that state has a power to control and regulate significant share of economic relations, structure them in a way which can be only beneficial to narrow interest groups rather than the whole society. Besides, the state still often participates directly in the market. The more extensive is the regulation and direct participation of the state in the economy, the more important become potential threats to economic security which are linked to its domestic institutions and politics.

3.3. Non-state Non-commercial Units

As it was mentioned before, non-state actors have become increasingly important both on international and domestic arenas, while the dominant role of state has been decreasing. This has become particularly important after the terrorist attacks of 9/11. Usually threats posed by non-state actors are of a military rather than economic nature, therefore they should be analysed in a different discussion than the one of economic security. Sometimes non-state actors use economic measures directed against certain state economies or particular enterprises (boycotts of certain products, campaigns against certain companies, disclosure of confident information, etc.), but such activities are relatively unimportant. By the way, particularly often such measures are justified by environmental security objectives. In many states,

¹²Tickner A.J., “Saugumo re-vizijos” in Booth K., Smith S, sudar., *Tarptautinių santykių teorija šiandien* [“Re-Visions of Security” in Booth K., Smith S, eds., *International Relations Theory Today*], Vilnius, Algarvè, 2000, p. 175(in Lithuanian).

governmental institutions privilege certain non-state actors and interests groups at the expense of other groups and often dispersed interests. In such cases the influence and the impact of non-state actors is more significant and should be analysed accordingly.

Market-related factors. During the second half of XXth century (though less so recently) the relations between transnational corporations and states have become the focus of policy analysts and practical policy decisions. Often the concern about the growing power of transnational corporations has been linked to the pressure that they can exercise on the state policies by taking advantage of technological opportunities and international mobility as well as the incentives of the governments to attract foreign investments. Such pressure can be directed at reducing taxes or applying more flexible regulatory norms. Although this pressure is often seen as a threat to economic security it should be noted, that such as competition between states has its benefits which strengthen the economic security of citizens. Due to such pressure state institutions are pressed to rationalize economic policies and use the budgetary resources more efficiently and effectively, to take into account the societal interests (if we talk about regulatory competition) and not to exchange the economic opportunities and welfare for the political interests.

Discussing not only international economic relations but also domestic market activities, it should be remembered that individual activities which take place in the market produce the results which are not only beneficial to them but also produce common benefits. This is the insight which has been articulated centuries ago by A. Smith who formulated it as an “invisible hand” which combines individual and social benefits of individual activities in the market. However, such individual activities can go against the narrow interests of certain groups¹³. This is linked to several factors. First, the new competitors which enter the market reduce profits, wages and employment, i.e. the problem is seen in the working of markets. Second, it is feared that those who have dominant positions in the market will abuse them in such a way hurting others. Third, it is feared that dominant players will act not according to the market rules and despite the economic motivations, will act in a way damaging others’ interests despite at the same time hurting their own interests. Fourth, in market the goods and other values are allocated according to the benefits that they produce to the consumers, which might negatively affect certain interests groups.

Market relations imply risk and responsibility for decisions made, and this causes dissatisfaction of some people. Besides, markets imply uncertainty – nobody can forecast exactly the economic developments and the outcomes of planned activities. By the way, this is not only the inherent feature of market relations. State planning and any other intervention does not avoid uncertainty about the future. The difference is that in the market the future uncertainty is an acknowledged fact and in the market every actor contributes to responding to new challenges in a decentralized way. When the state aims at ensuring stability, it produces a monopoly in this field, or such a monopoly is created due to distorted markets. In such a way the decentralized opportunities for individuals to deal with uncertainty are reduced. The state should therefore focus on legal system and law enforcement first if its is to strengthen the stability and in such a way contribute to economic security of its citizens. The uncer-

¹³ Gilpin R., (note 9) p. 51-52.

tainty in the market itself should not be seen as a source of economic insecurity but as a fact of contemporary economic environment. When there are opportunities to adapt quickly and relatively easily to the change, the change should not be seen as a threat to individual economic security, also, in a broader sense adapting to change increases the adaptive abilities of a society.

Market threats are often only a rhetorical façade to cover the powers of state institutions. The analysis of such threats to economic security should also take into account the possibility that trying to cope with such threats can create more threats to other social groups than producing benefits in solving problems. In a broader sense this is related to the causal link between the state measures to privilege (help) certain social groups and the costs of such measures that are produced to other groups. In such a way a state can itself become a source of economic insecurity (in introducing new taxes or regulations and thereby changing the rules of the game and opportunities of individuals). Most measures aimed at increasing economic security and more particular aspects of safety (safety at work, etc.) have their price and it is the individuals that have to pay for such type of security. In the world of scarce resources this is an economic aspect of security.

It is equally important to stress that economic security is secondary to physical security and should be treated accordingly – in a way that threats are not directed at the direct appropriation of property, and are avoided by using economic measures. This directs to the observation that the analysis of economic security should be separated from the analysis of physical security. Otherwise it would be difficult to set the limits of the analysis¹⁴.

One aspect of threats to economic security needs a separate mentioning. This is the issue of dominant market actors. Of course, the monopolistic suppliers aim at getting the monopoly profits. However, in considering the action plan to deal with such monopolists it should be taken into account that most monopolies can not keep abusing their position, because this would create incentives for the entry of competitors (sometimes quite unexpectedly when a new competitor offers the consumers non-homogenous product). Therefore even monopolists are forced to act in such a way as if there are competitors, unless there are regulatory or other barriers to the market entry for potential competitors. For example, the oil crisis in 1970s produced stronger competition due to higher oil prices which restricted more the possibilities for OPEC cartel to manipulate oil prices, which currently depend on other economic and political factors. To be sure, in such cases the time dimension of the market change is important. Some measures can pose short term threats to economic security, but in the long term they can produce a move towards creating measures to deal with a problem more effectively and thereby increase economic security.

¹⁴ Due to such reasons, although the physical security of airports is closely linked to economic issues, it is not an economic threat and should not be researched as a part of economic security. The same can said about the diffusion of information, the security of infrastructure or large scale objects which are important for the economy and environment.

3.4. Other Factors

A number of other factors can influence negatively economic security: technical and natural disasters, terrorist activities and others. However, as it was said about some of them (non-state actors) such threats should be seen in their own category. Although they are related to economic security, they do not originate from the economic processes and therefore should be analysed separately.

It should also be noted that by attempting to cope with one set of threats other treats can be produced. For example, enhanced border control can hinder legal trade activities, stricter environmental norms – produce additional costs to consumers and market entry barriers, etc. Therefore, although the economic security should be analytically separated from other types of security and its threats, this type of complexity should be taken into account.

4. The conditionality of threats to economic security

As it is noted by Barry Buzan, the threats to security are perceived subjectively and depend on particular society and historical setting¹⁵. Depending on the personal experience of society members and country's history some threats can be given either too much or too little importance. Taking into account the history of Lithuania, it could be concluded that the treat of Russia manipulating the energy resource supply to Lithuania can be overstated. On the other hand, taking into account the political developments in Russia and the close connections between state institutions and infrastructure companies, the dominance of Russian supplied oil and natural gas can create at least short-term risks for Lithuanian economy. Also, some threats to economic security might not be appropriately assessed and articulated or certain issues might be underestimated. For example, the issues of energy security of supply are usually linked with the need to satisfy the existing demands of the economy rather than phrased in terms of creating conditions for competition and the choice of supplier which could reduce the costs of energy resources to future potential consumers.

It can be maintained that perceived threats to economic security and the public discourse on related issues differs significantly in different societies. Moreover, the perception of economic security and its threats depends on the approach and historical experiences. For example, due to the lack of extensive direct threats linked to trade wars with other countries, such measures are not seen as very damaging and threatening to economic security, although deeper analysis could reveal the importance of such measures. Taking into account the relative nature of perceived economic security, its analysis should aim at two objectives: to reveal the threats to economic security taking into account the discourse and the process of “securityzing” certain economic issues and the reasons why certain measures are seen as enhancing or reducing the security; assess the economic reasoning and consistency of public

¹⁵ Buzan B., *Žmonės, valstybės ir baimė*. [*People, States and Fear*], Vilnius: Eugrimas, 1997, p. 186 (in Lithuanian).

debates about the threats to economic security and the ways of dealing with them. It should also be stressed that certain degree of uncertainty always exists and is a fact of life, therefore analysis should be limited to the issues which are crucial to majority of society members, their economic security and are not related with the usual market situation.

5. The connections between economic security and welfare

The Lithuanian National Security Strategy maintains, that the country's welfare is one of the three essential interests. On the one hand, such an understanding widens the concept of economic security, because any threat to welfare becomes a threat to economic security. On the other hand, it allows to conclude that welfare and conditions for its growth is the target of economic security policy. In the absence of welfare there is no object of economic security. To put it differently, one can conclude that logically security is derived from welfare.

The decrease in welfare is often the consequence of economic insecurity, but not every reduction of welfare can be seen as the result of economic insecurity. This qualification is necessary in order to separate general economic issues from the issues of economic security. Only threats but not the unfavourable situation can be assessed as the object of economic insecurity. And only in cases when the welfare of many people decreases suddenly and on the large scale it can be seen as the realization of a threat to national economic security.

6. Measures of increasing economic security

Taking into account international economic situation and expanding international markets, economic security has to be analysed in the context of market economy. In addition, only in the functioning market economy the increase of general welfare rather than benefits to narrow business or party interests can be expected. However, markets also imply certain threats to economic security. First, markets accumulate goods and values which can become the targets of threats. Second, markets due to their nature imply certain degree of insecurity, because when markets are open no individual can be certain about the future. Here is also the market paradox related to economic security: market is a necessary environment for generating welfare and economic and social security, but at the same time it creates uncertainty about the future developments and related insecurity. This reminds us that economic security is an important goal but it should be implemented taking into account other objectives. In other words, economic security has its price and it should not be aimed at regardless of its price (otherwise such policy measures generate insecurity). In addition, the measures of economic security become meaningful only when there are values to be secured. Economic security is derived from welfare and welfare can not be exchanged for security.

Economic security can be achieved by state policy measures or by private initiatives. Although private initiatives are often ignored in writings on economic security, but they represent an important factor in strengthening conditions for the

increase of economic security. Although, as it was mentioned, markets imply future uncertainty and therefore a degree of insecurity, they also provide the basis for dynamic process of creation and innovation, during which individual needs are satisfied, including the need for security. In practical terms this includes insurance services, future contracts, financial instruments of capital accumulation and savings and others means. But the indirect effects are even more important, because markets provide the conditions for the development of products which reduce the levels of economic insecurity: alternative sources of energy, better means of transport and communications and other similar products not only increase general welfare but also widen the possibilities of choice in such a way contribute to the increase of economic security. Moreover, human motivation leads individuals to the activities which contribute to solving the problems of economic security when they become relatively important. This has been quite evident during the time of economic blockade in Lithuania in the beginning of 1990s. In this sense, it is important that the state creates adequate conditions and infrastructure for the developments of markets that can respond without distortions to the needs of economic security of country's citizens.

The state economic policy has important indirect and direct effect on economic security. Its indirect effect is in affecting the motivations of individuals and the conditions for market entry and innovation. Its direct effects can be felt when the state itself takes part in economic relations through direct ownership of production and provision of services. The influence of a state is relatively more important in small economies which are more affected by the degree of openness to external environment.

National economic security when provided by state economic policy measures can be and often is supplied by using the methods anchored in contradictory concepts. According to one concept, economic security is related to independence from outside environment (other states, external markets), i.e. secure society is a closed society. According to another concept economic security is related to open and close relations with other countries, i.e. secure society is an open society. At the same time, openness implies changes some of which can not be foreseen and this in turn creates the atmosphere of insecurity. Currently the issues of economic security must be analysed in the context of functioning markets, because closure from the outside world is practically an impossible option, in particular for small states. But markets directly imply economic interdependence which is also a fact in contemporary world economy¹⁶. That is why the concept of economic security can not be expressed as the idea of equilibrium as it is sometimes suggested¹⁷ – the idea of equilibrium itself (as well as ideas of perfect competition and of absolute availability of information) is only a theoretical abstraction the practical implementation of which can lead to stagnation and slow down of progress. More problematic, however, is asymmetric economic interdependence because it can create possibilities for less dependent (usually larger) state to abuse its position with regards to the smaller state, even if such measures are economically costly to the former as well.

Even if there is still a theoretical choice between closure and openness to the outside environment, the latter must dominate the economic policy measures, becau-

¹⁶ Gilpin R. (note 9), p. 47 – 48.

¹⁷ E.g., Grebliauskas A., "Analysis of Threats for Economic Security of Lithuania", *Lithuanian Annual Strategic Review 2002*, Vilnius: Lithuanian Military Academy, 2003, p. 280.

se in the long run closure leads to imagined security which can eventually result in the economic collapse. The growing economic interdependence must be accepted as a fact. It plays a role of a balancing factor in international economic relations which leads to more rational state economic policies. This could be observed in various areas: states can not impose very strict restrictions on imports (conduct an economic blockade) from other countries because such measures affect negatively domestic industries using imported products and consumers in the protectionist states; it is ineffective to use price discrimination because this could lead to the emergence of new alternative products that could eventually push the discriminators out of the market. Thus, as it is rightly underlined in the Lithuanian National Security Strategy, globalization in the contemporary world must be accepted as an objective phenomena. Of course, in absolute terms it is not objective, but de facto no state has a choice other than reducing obstacles to external economic relations (otherwise they would become increasingly costly and eventually would reduce national economic security). The main issue is the issue of tactics – what methods should be used (mercantilistic way of mutually or multilaterally negotiated reductions of barriers or unilateral strategy to decide to abolish restrictions), and how long should this process take.

Another issue is what type of economic interdependence contributes to increasing economic security. It is often assumed that since in most cases economic interdependence is asymmetrical, it increases the security of less dependent state and decreases the security of more dependent state. However, often the fact of asymmetry is overestimated. It is natural that states are linked with economic relations that are different in their nature, this is part of what produces benefits from international trade. But this qualitative asymmetry in natural, historically and technologically developed endowments does not produce quantitative asymmetry. For example, sometimes even when a country buys energy resources from one strategic supplier, this does not mean that supplier has a strong power towards the buying country because it may be the essential consumer of this resource. This example could be used in the case of Russia and EU interdependence in natural gas sector. Of course, if one state is much smaller than the other such an interdependence can result in different outcomes, because small states are usually not the only consumers of certain products supplied by the larger country. However, what is important is that small states have a possibility of alliances and jointly defending their interests. If we continue with the same example of natural gas, we could say that Lithuania's integration into the EU is an instrument to reduce possible threats related to the supply of energy resources from Russia (although it is still too early to make conclusions if this instrument has been used effectively and if by being a member of the EU Lithuania managed to reduce its asymmetry of dependence on Russian supplies and increase its bargaining power with respect to Russia).

It is sometimes maintained that free trade is a method to substitute direct inter-state conflicts and power competition with more subtle economic dominance and this is the strategy which is mainly associated with USA policies¹⁸. However, it should be underlined that for large states free trade is not as vital as for small states,

¹⁸ E.g.: Urbelis V., "Changes in the US Global Security Strategy and its Implications for Lithuania", *Lithuanian Annual Strategic Review 2002*, Vilnius: Lithuanian Military Academy, 2003, p. 37-68.

because: first, the size of the large domestic market still allows for certain division of labor and specialization which is less viable in small countries; second, large states are not so dependent of external supplies of raw materials and other resources. For example, the observations that small countries have become prosperous partly due to their openness, while at the same time the protectionist policies of the relatively liberal US indicates that openness to the external world is relatively more beneficial to small states. Besides, as the studies of international competitiveness indicate, it is small and open countries which dominate among the most competitive and prosperous world states (for example, see the studies of the World Economic Forum).

Conclusions

1. Economic security is closely related with other dimensions of human security. First, physical security has an important impact on the conditions for economic security, although the analysis of the two should be separated. Economic security is secondary and derived from physical security (the security of property is a basic condition for the functioning of the market). It can be separated when the threats are not related with direct violation of property rights and when such threats could be avoided by using economic means.

2. The national (state) economic security can be analysed under the condition that threats arise not only and not so much for the state but for individuals, while the state is seen as an association of individuals which serves the common goals.

3. The concept of economic security is multidimensional. The economic security of national importance is the set of issues which are related with the economic security of the majority of state citizens rather than with the narrow interest groups.

4. Some degree of uncertainty and insecurity exists in any society. Trying to predict the future is an impossible task. Economic security should be seen not as an absence of such uncertainty but as the opportunities to develop new instruments dealing more effectively with such uncertainty and to adapt more successfully with changing environment. The focus of state activities in this area is first of all in providing stable legal environment and the enforcement of property rights while minimizing the incremental regulatory and tax policy changes which increase uncertainty.

5. The goal of economic security can not be attained regardless of other objectives. For every individual this goal exists together with other objectives. It is first on the individual level that the choice between economic security and other objectives can be taken. When the national economic security measures are adopted by the state, their costs should be taken into consideration.

6. The perception of threats to economic security depends to a large degree on particular social context and experience. The analysis of economic security should have two objectives: first, to assess the underlining reasoning of public perceptions regarding threats to economic security; second, not only to evaluate the threats which are publicly discussed, but also the threats which are underestimated, but which are important to majority of citizens (and are not related to usual market situation).

7. Although nation states are seen as the main actors in international economic relations, it should be taken into account that other actors can also pose threats to

economic security: in addition to foreign and domestic state institutions these can include interest groups, non-state organizations, individuals. In order to assess adequately these factors, the motivations of particular individuals and their groups should be analysed.

8. Openness, not closure from outside environment strengthens economic security. Therefore increasing economic interdependence should be seen as an opportunity rather than a threat to economic security. Private actors also play an important role in strengthening conditions and providing measures to deal with threats to economic security. State is not the only actor in this area. More problematic is the situation of asymmetric interdependence which also is paralleled by the direct links of state institutions and economic actors in a larger country and allows to manipulate economic relations with smaller country even when it is costly to both countries. In such a situation the focus should be on providing opportunities for alternative sources of supply.