

Current Vulnerabilities of Economic Security in Romania

Marinescu Cristian

Romanian Court of Accounts

cristian.marinescu@macroeconomie.ro

Vălimăreanu (Mircioi) Ileana

*Institute for Doctoral Studies, Business Administration PhD Programme,
Bucharest University of Economic Studies*

ileanamircioi@gmail.com

Abstract

The objective of this paper is to develop a personal opinion on the current vulnerabilities of economic security in Romania, starting from how the economic security as well as its link to national security is addressed in the literature, as economic security is a little bit of a matter treated in the works of Romanian researchers.

For Romania today, as a member of the European Union and of the North Atlantic Alliance, vulnerabilities to economic security must be analyzed taking into account both the international and political relations of our country - based on multilateral treaties involving commitments in the economic, political, justice, the environment, etc. - as well as the current state of development of the Romanian economy, as a result of the transition to the market economy (the process by which our country passed since 1990), but also the effects of the global financial crisis, on the economy as a whole.

Key words: economic security, national security, economic domination

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1. Introduction

Security is central to the present concerns of philosophical thinking, since mankind, which seems unable to coexist harmoniously, dominates many of the conditions that determine this state at different levels of social organization: individual, group, national, regional or global.

The security of the world, continents, areas or regions of each country is an issue of domestic and international life, a continuous process in which all past, present and future events, by means of an integrating act, participating, more or less, in strengthening security or, on the contrary, destabilizing. The issue of security is one that gains more and more dimensions: the economic dimension, the socio-professional dimension, the dimension of education, the dimension of social protection and health.

Beginning of the sec. the 21st century opens a new era in international politics in which security and, implicitly, the competition for affirmation and strengthening of new actors in the game of world power occupy the central place in determining the evolution of the world and the establishment of the new international order.

The complexity of the international environment causes scientists to consider that at this point "security can no longer be analyzed only in terms of political choice, capabilities and intentions of a state, as vulnerabilities, risks, dangers and threats to security have now become a systemic significance."

For a strong national security policy, a strong economy is needed, as the stronger the economy, the more tax revenue can be generated to engage in activities required for national security. A country with a developed and sustainable economy can ensure both the economic well-being of its citizens and their security.

2. Economic security versus national security

2.1 The concept of national security

Security can be defined as a state that must be achieved in order for a person, a group of persons, a state or a group of states to be able to act indefinitely in order to promote their own interests, in compliance with the norms and general interests adopted and recognized internationally.

Over time, the concept of "security" has taken on various forms and meanings, but due to the changes that took place on the international scene and the emergence of new security challenges, the concept of "security" has grown, going from one a simple notion, as it appeared in the first part of the 20th century, to an increasingly complex structure, namely, the national security theory, as it appears in the second part of the 20th century.

Thus, in the first part of the twentieth century, security was conceived in terms of "national power." It is the ability of a state to control the actions of another state in order to fulfill its own interests. The concept of security has developed so that during the War of Recess, in the context of a world dominated by two political-military blocks opposed ideologically, the concept of security has been operationalized in close connection with the "power" focusing on military force.

By the end of the twentieth century, with the collapse of the Soviet Empire, the political-military confrontation between the East and the West ended, and the struggle for hegemony constituted an economic competition, which was why the use of the concept of security , reaching new dimensions, namely economic, ecological, informational, technological, social.

The end of the Cold War not only removed the dominant geopolitical order, but, more subtly, also stirred the international economic order. More than ever, since the Second World War, economic relations between countries have contributed to defining the global nature of their relationship. And perhaps the most important of all, the nation's military capability and ultimate sense of well-being depend on its economic performance.

The redefining of the concept of security was based on the studies of some important theorists and practitioners (Buzan and Waever) who abandoned the traditional vision of security, focusing only on its military dimension, extending the scope of the concept of security to other areas, respectively: economic, social, political, military and ecological.

In redefining the concept of security, both international governmental organizations and some non-governmental international organizations have been involved. The United Nations (O.N.U.) and the Organization for Security and Co-operation in Europe (OECD) have promoted the concepts of "collective security", "joint security" or "security through co-operation".

Redefining the concept of security takes place in a context in which state and non-state actors have different views on security challenges, in line with the traditional distinction between north and south of international relations: the north has focused on terrorism and weapons of destruction while the south is concerned with poverty and underdevelopment.

The new dimensions of the above-mentioned national security concept can be complemented by the informational dimension as we are currently entering with a fast pace into a new age, namely the informational age. The construction of an informational society is lasting and involves the active and responsible participation of all state institutions, civil society structures, citizens.

Changes in the paradigm of the country's defense concept and national security, linked to the increasingly unpredictable dynamics of the security environment, are also found in the National Defense Strategy for the period 2015-2019, which promotes the concept of national security extended - based on constitutional democracy and mutual respect between citizens and the state. The strategy has an integrative and multidimensional approach in which the defense dimension combines and balances with a number of other dimensions: public order, intelligence, counter-information and security, diplomacy, crisis management, education, health and not least by the economic and energy dimension.

According to the legislation of our country, national security is the fundamental condition of the existence of the Romanian nation and state, which has as a reference area the national values, interests and needs. National security is an impregnable right that derives from the full sovereignty

of the people, is based in the constitutional order and is carried out in the context of regional, Euro-Atlantic security.

2.2 The concept of economic security

Economic security is a complex concept that derives from the multitude of economic processes and phenomena it implies, but also from a dynamic concept that derives from the rapid rhythm of processes and economic phenomena that occur both at the national and in the planetary level.

Economic security should be understood as "an essential factor of national security and one that provides the resources and the equilibrium of the other components of this system", being one of the dimensions of national, regional and planetary security, the desideratum of each individual, human community or national state.

For a strong national security policy, a strong economy is needed, as the stronger the economy, the more revenue it can generate for the budget to be used to strengthen national security.

As well known, a prosperous economy is characterized by economic growth, full employment, low inflation, productivity growth, high investment, etc., all of which contribute to economic security. However, economic security needs not only the current prosperity of the economy but also a stable and prosperous economy in the long run, which is why the objective of economic security is to reduce the uncertainty about future economic welfare and, to this end, it is wiser to sacrifice current prosperity in order to create in the future a stronger, more stable economy and sustainable economic growth. Two main approaches to the concept of 'economic security' are now known, namely the Anglo-American and Asian approaches. According to the Anglo-American concept, the fundamental purpose of the economic is to ensure a high standard of living. More specifically, the American capitalist system is based on the individual, not on the government or on the community, because in a true democracy, the economy should not be destined to the country's preparation for war but to meet the needs of consumers and traders. Instead, for Asians, "economic security" means first the growth of the national economy's power externally. Therefore, the state has the right and even the duty to control economic activity, namely what directly affects national security - is, in fact, what the Americans call the "militarized approach to the economy. The European view on "Economic security" is a combination of Anglo-American and Asian concepts. One of the most successful practical models is the Swedish model of the "society-oriented economy.

2.3 Relationship between economic security and national security

With the emergence of the postmodern state (which was born with the 1957 Treaty of Rome, when the European Economic Community became the European Union), the world became more aware of the global implications and risks of a military conflagration, the world has become more humane and honest. Moreover, the conquest of territories is no longer an interest for the great powers, but on the contrary, the acquisition of new populations would be a burden for the states. Thus, the idea of "territorial conquest" has been replaced by economic domination which, with this last wave of globalization, has become more and more pronounced (Cooper, 2007).

The concept of national security can only be achieved on a well defined economic background, with sufficient material, human, financial, scientific, etc. premises, since discussing national security or designing it without taking into account its economic component is that and how to build a sand castle near the sea waves (Marin, 2004).

Economic factors play an increasingly important role in achieving security. Never before, the economic power and military power have been linked more strongly than at present (Stoicescu, 2007). Therefore, in the long run, the security of a state depends on its economic capabilities, because it allows them to maintain strong armies capable of protecting the interests of the country (Russel, 2007).

According to some Romanian authors (Napoleon Pop), the national security approach must go from two major aspects of national security, namely (1) demonstrating the potential of an economy to generate firm and sufficient public finances in the medium and long term; and (2) on what values is the use of such potential. Based on these considerations, a technical definition of economic security that integrates the subject (human capital) and the subject of the economy (the management of rare resources) tells us that this concept implies "stable incomes and other sources

to maintain a standard of living today and in the foreseeable future implies: continuous solvency, predictable cash gap, efficient use of human capital".

Also, according to the same author, economic security is based on values, and the individual's confidence in it as a public good derives from public policies that take these values into account. By this conclusion, we are most in favor of the definition of security given by Arnold Wolfers (1952), pioneer and leader of political philosophy. Security, in an objective sense, means lack of threats to values, and subjectively absent fears that those values will be attacked (Pop, 2013).

An additional role of the economy in national security centers is based on economic factors, contributing to conflicts between countries as well as within national borders. Access to resources, such as oil, diamonds, water and territory, continues to create tensions and may lead either to obvious hostility between countries or to the incitement of violence within nations (Nanto, 2011), so the relationship of dependence of military and economic capacity also derives from the laws and principles of the armed struggle. From this perspective, when strategic raw materials depend on import, the threat to security of supply can be classified as a national security issue for the state concerned (UNAP, 2004).

3. Current vulnerabilities of economic security in Romania

For Romania today, as a member of the European Union (EU) and the North Atlantic Alliance (NATO), the vulnerabilities to economic security must be analyzed taking into account both the international and political relations of our country, based on multilateral treaties - economic, political, justice, environment, etc. - and the current state of development of the Romanian economy as a result of the transition to the market economy (the process that our country has been going through since 1990), but also the effects of the financial crisis global, which have put their mark on the economy as a whole.

After 1990, when Romania started the transition to the market economy, there was a significant increase in the informality, mainly of the informality on the labor market. The main reason for this was the transition to a market economy, a process based on the macroeconomic measures established by the Washington Consensus (named in 1989 by English economist John Williamson to describe the ten recommended macroeconomic policies to be applied in developing countries for healthy economic growth). Among the measures in the Consensus that have also been applied in our country with a negative impact on the economy and especially on the labor market are: privatization of state-owned companies, trade liberalization, tax reforms with fiscal austerity periods and later, liberalization of the capital account. All this has been accompanied by the globalization which, together with the above-mentioned macroeconomic policies, has produced major structural changes in our country's economy, characterized by a high inequality of population incomes, long-term unemployment, a segmentation of the labor market in formal and informal terms with predominance of subsistence farming, the emigration of labor force in other countries where higher wages are offered.

3.1 The main economic risk factors on national security

The main global economic risks with global security impact that, according to the World Economic Forum Annual Report (over the past 5 years), affect the ability of national systems to resist major disruptions, exactly affect the stability of the world, are the following:

- According to the Annual Report on Global Risks for 2013 these are: income inequality, migration, high unemployment and increased risk of informality (tax evasion, illicit trade);
- According to the Annual Report on Global Risks for 2014 these are: income inequality, high unemployment and the liquidity crisis;
- According to the Annual Report on Global Risks for 2015 these are: income inequality, migration, high unemployment and speculative bubble in the asset market;
- According to the Annual Report on Global Risks for 2016 these are: income inequality, migration, high unemployment, speculative bubble on the asset market and increased risk of informality (tax evasion, illicit trade);

- According to the Annual Report on Global Risks for 2017 these are: income inequality, migration, high unemployment, speculative bubble in the asset market and high informality (tax evasion, illicit trade).

Taking into account the main economic risks identified globally over the last 5 years and mentioned above as well as the structural problems of our country's economy identified by me and mentioned in the paper *The Structure and Dynamics of the Romanian Labor Market through Prism formal / informal duality* (Marinescu, 2013), I consider that the main vulnerabilities of economic security in Romania at this moment are:

- Income inequality,
- informality and
- structural problems of the labor market.

Polarization of income distribution is one of the major problems of the Romanian economy, income inequality in Romania is among the largest among the EU member states. Inequality is calculated as a ratio between the incomes obtained by the first 20% of the population with the highest incomes and the incomes obtained by the last 20% with the lowest revenue. For example, at the level of 2011, the income inequality in our country was 6.2, compared to 4.8 as the average in the EU (27), and for 2015 income inequality in Romania has increased, this being 8.3 compared to 5.2 as the EU average (28) (EUROSTAT).

As far as informality is concerned, it is a specific feature of any economy, regardless of its nature and degree of development, but it has a significant share in developing economies or weaker economies.

The causes of the emergence and development of informality have common explanations for all countries, but also specific peculiarities related to: the degree of development of the country, traditions and local specifics, economic policies.

From a terminological point of view, the literature uses several concepts to define informality, such as "underground economy", "shadow economy", "dual economy", "tax evasion" (as a practice of informality) if we refer to informality on the labor market, in economic theory it appears under several names among which the most commonly used are: informal sector (KEITH, 1973), undeclared work (CCUW,1998); informal economy (ILO, 2002), employment in the informal sector and informal employment, invisible or hidden occupation (OECD, 2004).

The term "informal sector" became known in the 1970s as a concept that defines economic activities that take place outside the organizational framework of the public or private sector. It first appeared as a response to the proliferation of casual or self-contained labor in the cities of underdeveloped countries, and later this concept was used in developed societies such as the UK, along with other adjectives such as underground economy, Hidden economy, black work (Keith, 2011).

The informal option can be seen in two different directions. On the one hand, the considerations for which both firms and workers act informally are the lack of an alternative (informal employment - in the case of workers and in the informal sector - in the case of firms the only option that can ensure their survival), and on the other Part of the informal option refers to the pecuniary advantages resulting from non-payment of taxes and social contributions to the state budget.

Regarding the structural problems of the labor market in Romania, they are due to the macroeconomic policies applied in our country during the transition period of the Romanian economy towards a market economy, but also the globalization process that has grown in the last thirty years. The measures applied by our country during the transition to the market economy, namely privatization of state-owned companies, liberalization of trade, fiscal reforms with fiscal austerity periods and later liberalization of the capital account, as well as the emigration to the West of the skilled labor force - have generated major labor market imbalances, namely: a strong segmentation of the formal and informal labor market, high unemployment, an acute shortage of qualified staff in certain areas of activity.

I would like to mention that, from my point of view, taking into account the structural problems of the Romanian labor market, the unemployment rate is not a conclusive indicator for the measurement of the vacancy, since the exit of the workers from the formal area of the economy usually translates, by entering the informal zone of the economy rather than by unemployment,

which is perhaps only an intermediate and extremely short stage in the life of a worker (Marinescu, 2013).

3.2 Causes that cause the emergence of economic risk factors on national security

In the National Security Strategy of Romania, at head. IX "Competitive and Competitive Economy states that "a strong, competitive and competitive economy, macro-stable, dynamic in terms of rhythm of growth and functional adaptability is an important pillar of security, providing conditions for economic and social security, the majority of the population to support democratic institutions and the necessary basis for promoting initiatives aimed at the prosperity and security of the nation.

Also, the National Security Strategy of Romania states that, in order to achieve a modern and sustainable development, the consolidation of the functional market economy status as well as the capacity to cope with the EU's competitive environment must be acted upon, among others, :

- Modernization of the fiscal system;
- Perfecting and full compatibility of the public procurement system in accordance with the provisions of the Community legislation;
- The substantial reduction of the informal economy.

In our opinion, the main causes that determine the emergence of economic risk factors on national security are the fiscal policy of the state and the way in which revenues are collected to the state budget and respectively the use of public funds, taking into account the opportunity of employment public spending, but also compliance with public procurement legislation. To this I would add "globalization" - a dynamic process of liberalization, openness and international integration on a wide range of markets, from the labor market to the financial market and from the market of goods and services to the new technology market - which means removing barriers any kind of free movement of capital, goods and services or labor.

According to the literature (Diamescu, Franc), it is considered that, besides the particular economic advantage that globalization produces at international level, it also creates vulnerabilities to national security. Globalization is one of the most controversial issues of this period, and debates on this issue are becoming more acute when addressing the issue of national security (Franc, 2010).

There are also authors (Guillermo de la Dehesa) who believe that the main losers in globalization are now those peoples and countries who are unable to join the process of globalization and are lagging behind mainly because they do not have credible institutions, political, legal, economic or social. On the contrary, the main winners are those who benefit from the fact that they were able to be open to it by attracting trade, capital and foreign technology (Dehesa, 2007).

Personally, I believe that Dehesa's statement can be challenged, and as an argument it is possible to invoke the current state of economies in former communist countries that have started the process of globalization since the transition to a market economy. Although open to globalization and attracting trade, capital and technology, these countries are currently experiencing an illusion of well-being, as social polarization and the gap between the rich and the poor have increased substantially over the past 28 years since these countries open to globalization.

For a strong national security policy, a strong economy is needed, as the stronger the economy, the more tax revenue can be generated to engage in activities required by national security. A country with a developed and sustainable economy can ensure both the economic wellbeing of its citizens and their security. Therefore, fiscal policy - by setting up the tax system, but also by organizing the activity of collecting revenues to the state budget - can influence the economic security of the state and its citizens. In the literature (Malcolmson, 1986) the relationship between tax pressure and tax receipts is well known. Tax payers agree to pay them and are subject to voluntary compliance up to a certain point, ie when tax pressure exceeds the limits of eligibility. This theory was developed by economist-merican Arthur Laffer, who used the US market economy as a basis for analysis, highlighting the link between the tax pressure rate and the tax revenue flow, diminishing tax revenues, by increasing the informal economy.

Just as the fiscal policy of a state, as it is grounded, can generate more revenue for the state budget or, on the contrary, reduce it, harming national security, by increasing informality (including tax evasion) I also believe that the way in which public funds are used may harm

national security, both in terms of the opportunity to use it and in respect of public procurement law.

4. Conclusions

One of the basic ideas that emerges from this paper is that at this point security can no longer be dealt with only politically and militarily, as the risks, dangers and threats to security have now become systemic, and this it has led security researchers to extend the scope of security concept to other areas such as economic, social, environmental, informational, educational, technological, etc.

The conquest of new territories no longer represents a desideratum for the world's great powers today, and the idea of territorial conquest has been replaced by "economic domination" which, with the accentuation of the globalization process in recent years, emphasized.

Thus, more and more researchers are increasingly focusing on economic security, as an important pillar of national security.

As far as the economic security of our country is concerned, we have identified the main economic factors with an increased risk to national security, namely income inequality, informality and structural problems of the labor market. The causes of the existence of these economic risk factors to national security have a direct link with the phenomenon of globalization, with the fiscal policy of the government as well as with the use of public funds, both in terms of opportunity and respect of public procurement law, the National Security Strategy of Romania stated that for the modern and sustainable development it is necessary to modernize the fiscal system, to reduce the informal economy as well as to perfect and fully comply with the public procurement system according to the provisions of the Community legislation.

A widely accepted idea at this time, especially among the EU Member States, is that, despite the instability and weaknesses in the economy, an effective way to ensure the economic and social security of citizens is through the development of public-private partnership, given that the public sector does not have sufficient financial resources to ensure the sustainability of investment projects and / or to provide quality public services and attracting private sector resources could be an optimal solution.

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