

# State Economic Security System and Its Components

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**Abstract**—State economic security is a complex concept, and the whole security is connected to separate security levels of its components. Therefore, the primary task of the state is to provide appropriate security level for each component of state economic security, through which the state economic security will be guaranteed.

**Keywords**—State Economic Security, Financial System, Export, Import, Economic Policy, Structure Of Economy, Economic Activity, Structure Of Economic Security.

## I. INTRODUCTION

STATE economic security is a complex and multifactorial system which presents a material basis for the formation of other components of national security. The economic security assurance is one of the primary problems of the state, as the emergence of the numerous socio-economic problems in the country, as a rule, is conditioned by state's failure to take preventive measures or not implementing them in time. Hence, the state must provide such a level of security which will guarantee internal and external stability, necessary for normal economic functioning, active participation of country in the international division of labor and competitiveness, at the same time it will provide a ground to ensure a sufficient level of security.

Generally the economic security of the state acts as a system whose main functions are divided into five groups: protective, regulatory, warning, innovative and social.

**The protective function** is expressed by the ability to protect the state economic system from internal and external threats. The implementation of this function is directly related to the formation of economic resource potential and its effective use.

**The regulatory function** appears in different economic subsystems through the assurance of state economic security and application of functional mechanisms targeted to risk neutralization. These include mechanisms which simulate market self-regulation property as well as eliminates market failures (market insoluble problems).

**The warning function** of state economic security is focused on predicting the emergence of potential crisis situations during economic activity and on preparing economic system to resist them. It implies socio-economic and organizational-technical measures, the result of which is

the strengthening of the defensive function of the system.

**The innovative function** acts through non-traditional decisions made by the state on economic processes and innovative solutions focused on the acceleration of economic development pace or on the neutralization of possible negative effects of the latter. The results of this function emerge in the economy mediatedly and, as a rule, are expressed in the form of increase in the efficiency of other safety functions.

**The social function** of state economic security system suggests full satisfaction of demands of all members of society and full compliant of interests. The realization of this function contributes to the rise of the level and quality of life and guarantees the protection of citizens' rights and freedoms.

It should be noted that this kind of classification of the functions of state economic security system is conventional, since these functions are interrelated and interdependent and often features of one function can be repeated in defining another function. The efficiency of ensuring state economic security depends on the capacity of full operation of these functions together and simultaneously. In addition, the problems of these functions can be changed in ensuring the individual components of economic security.

## II. THE COMPONENTS OF STATE SECURITY SYSTEM OF ECONOMY

In economic literature the security system of state economy is presented by internal and external subsystems, which have their own components:

- external security subsystem - technological, commercial, financial
- internal security subsystem - technical and manufacturing, food and raw materials, energy, environmental, informational (Figure1).

**The technological component** of state economic security is characterized by active participation in international scientific and technological progress, which guarantees the ability of state to apply the latest technological solutions in national production and ensures the competitiveness of production of national goods and services in the international market of high-tech products. International experience shows that the assurance of the component of economic security technology is possible only in the case when the national economy is placed on the bases of innovative development [2].

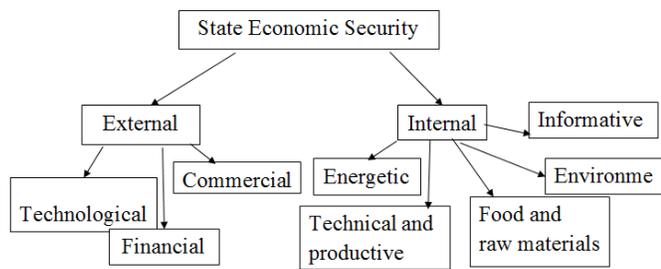


Fig. 1. The Main Components of State Economic Security

Currently the country which has most innovative technological systems in the world is the United States (according to 2013 data it has 34% of world expenditures made on scientific-technical and experimental-constructural operations) [3]. China also pays great attention to the development of scientific industries. In 2013 China's expenditures on the scientific-technical and experimental-constructural operations were amounted to 2% of GDP and 16.5% of the expenditures on that purpose in the world [3]. European countries also have significant proportion (22.4% in 2013) in expenditures on scientific and technical operations in the world [3].

**The commercial component** of state economic security represents a possibly large assurance of diversification in the country's export and import trade structure. In the circumstances of geographical diversification the country's exports and imports will not depend on the "whim" of one or a few big centers. And from the point of view of product diversification the following indicators are important: the specific gravity of high technology and food in import, the country's dependence on imports of strategic goods, the specific gravity of competitive and high-tech products in export.

**The financial component** of state economic security can be defined as country's capability to implement independent monetary policy and to provide stable functioning of the financial system through refunding international loans and gaining, distributing, using and refunding foreign investments in the presence of adverse external and internal conditions.

In this regard, the following indicators of financial system are important: the establishment level of securities and financial market, the main directions of financial flows and the possibilities of securing their repayment, the amount of state budget deficit, free convert of national currency, the internal resources of exchange rate stability, the level of internal and external public debt, the amount of foreign exchange and gold reserves and so on.

The importance of **industrial and technical component** of state economic security leads to the assurance of manufacturing and technical possibilities of implementation of the expanded reproduction of the economy. It implies the ability of the economy to meet the needs of society, even in situations when external or internal economic favorable conditions are disturbed. The failure of this component of state's internal economic security leads to the growth of dependence on other countries. Today, in this regard, Japan

and the United States are considered more independent from the developed countries, which imports was 17% of GDP in 2012. And, for the example, in France, Germany, Great Britain and Italy in ranged between 25-50%. The states where this indicator ranges between 50-80%, have already faced the danger of independence loss. These countries are the Netherlands, Czech Republic, Denmark, Iceland, and so on. Armenia is also included in the states which have crossed the 50% threshold, in 2012. it was 49%, while in 2013 it was 51%. So, Armenia is already in the danger zone. In the countries (for example Estonia) where the above mentioned index is higher than 80%, there is a great loss of sovereignty and the production process is almost entirely conditioned by imports [4].

**The food and raw material** component of state economic security implies economic assurance with necessary amount of food and raw material. The provision of food and raw materials is one of the most important components of state economic security and in the numerous countries of the world there are laws defining minimum standards for food security. For example, according to the United States Food Security Act (Food Security Act, 1985), minimum food reserve requirement is 40% of the average annual consumption.

It should be noted that from the point of view of state food and raw material security the most significant problem is the dependence from the imported raw materials and foods, which is necessary to keep on the lowest possible level, based on the state's resource provision.

The next component of state economic security is **energetic security**, which implies stable supply of sufficient amount of required energy for domestic consumption. For this purpose analyzes are carried out consistently in all countries, identifying the circumstances the appearance of which could undermine the country's fuel and energy system activities.

From this perspective, the main problems facing the state are the diversification of energy imports system, as well as energy-saving technology transfer. In the case of effective solution of these tasks, the state can avoid from the risk of energy deficit. The successful experience of diversification of energy import can be the example of the US, whose geographical structure of energy import in 2011 was as follows: Mexico, Saudi Arabia, Venezuela, Nigeria, Canada, Russia, Brazil [5]. At the same time the US gradually reduces its power consumption of GDP, paying special attention to the development of energy-saving technologies and renewable in total energy siege and the increase of specific weight of alternative energy sources. For comparison we can mention that in 1970-1980 US GDP energy intensity decreased by 17%, in 1980-1990 decreased by 19.5%, in 2000 US energy intensity of GDP was 0.417 conventional units or 1000 for USA dollar account [6]. Besides, according to the law on "Energy policy and savings" processed in 1975, unprocessed oil reserves storages are established the United States and strategic considered amount of oil reserves has been set, which can be used only for the energy production in extreme situations associated with import and only with permission of the US President.

Since 1995 a number of studies have been implemented in Armenia, which were aimed at forecasts of electricity and natural gas consumption, the development of the production power of gas supply system with minimum cost, as well as the development of strategy in order to remove from exploitation Armenian Nuclear Power Station, in the result of which Armenian energetic security concept was adopted in 2011, according to which in Armenia energy security suggests increase in economic energy efficiency, development of nuclear energy and efficient use of renewable energy resources.

**The ecological component** of state economic security is state's ability to prevent and remedy the gap between public interests and the protection of the environment on time. The problem of environmental pollution is closely related to human economic activity, so for ecological security it is necessary to minimize the anthropogenic impact on ozone layer, Flora and Fauna, gene pool and other environmental components. In this regard there are global problems in the world, the solution of which is out of the opportunities of one or a few countries.

For instance, in the middle of 19th century the content of CO<sub>2</sub> in the atmosphere was 280 ppm, at the end of the 20th century it was increased up to 370 ppm as a result of fuel use, deforestation, etc. According to predictions, in the case of not taking preventive measures, it will reach to 450-550ppm level in 2050, which will lead to global warming with all its unwanted consequences. Therefore, states must not only take effective measures for providing ecological security, but also to unite their efforts around global environmental problem.

**The informational component** of state economic security, in the case of existing internal and external links suggests such economic activities as a result of which the reliability of information exchange, increase of the share of non material activities into national wealth, the increase of information "relative density" in the process of domestic effect as well as the privacy of production technology are guaranteed. Information security suggests protection of informative area, information appliance only by its recipients and only in targeted manner, the protection of whole information privacy and availability, the protection of military, political, economic, social, demographic, informative and telecommunication management systems. Information security is closely related to the telecommunication sector and suggests, first of all telecommunications security [7].

### III. CONCLUSION

Thus, state's economic security is a system composed of interrelated and complementary elements (components), and state's economic security level depends on the security of its each component. Moreover, we believe that all discussions which state that one of above mentioned components is more or less important, and more attention should be focused on state security. State economic security is a complex concept, and the whole security is connected to separate security levels of its components. Therefore, the primary task of the state is

to provide appropriate security level for each component of state economic security, through which the state economic security will be guaranteed. It should also be noted that the constant changes in the world, taking place around the political, economic, social, military and other issues, also change the nature and content of economic security threats, and they demand equal and simultaneous changes in the policy of states' economic security system.

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