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## **ECONOMIC POWER OF THE STATE AND NATIONAL SECURITY**

**Abstract:** Economic power is an indispensable component of national security. Some theorists have also noted that economic power is the most important component of national security in contemporary international relations. States remain unavoidable actors of economic relations. Economic power is the state's means to position itself in the world political system, because its enlargement provides for internal stability and a better position for confrontation with other actors. The motivation of states to defend the level of economic development or increase their economic power is enormous and unquestionable, which is why foreign and security policies are directed in this direction. The article consists of four parts. The first part explains the concept of national security. The second part determines what we mean by economic power, and in the third part we analyze the importance of the economic power for states. The fourth part is final considerations.

**Key words:** economic power, national security, international relations, international security, state.

### **1. Concept of national security**

The concepts of "national interest" and "national security" have for a long time been in the center of researcher's attention. Viewed from the angle of idealist theory, the question arises as to whether these are explained terms or even whether such a thing as "national interest" exists at all? From the angle of the realists, there are no such doubts. If national interest is "the highest goal", then national security is "the most important value". It represents the need of one nation and the priority activities of a state, individuals and social groups are directed at achieving that value. At the same time it is a process that includes a number of measures in order to insure a permanent and sustainable development of a state. These measures are taken in order to defend a state as a political institution that can protect the individual and society as a whole, their property and environment from the threat that can significantly weaken its functioning or threaten its values that have special significance.

Therefore, in the definition of the national security concept of the Indian National Defense College, it is stated that this is "a mixture of moderation and aggression, political elasticity and maturity, human resources, economic structure and its capacities, technological capabilities, industrial development and availability of natural resources, and at the end of the military force" (Oladipo, 2013: 82).

This approach also results in the explanation that national security is "the ability of one nation to overcome multi-dimensional threats that concern the welfare and survival of the state at any time by maintaining the balance of all state policy instruments through governance" (Paleri, 2008: 54). If the potential of power is greater then it is easier to achieve national interests, thus ensuring national security. And the other way around.

The achievement of national security and the realization of national interests can be realized through different approaches and strategies. In the modern world, "the national security policy of the state depends on the type and the prevalence of state and national interests, and of the current and potential threats that endanger or may endanger these interests. Threats can be: political, economic, military, demographic, social, confessional, educational, and ecological or threats caused by a long-term covert action of retrograde forces in all areas of social life. The problems of defining the concept of national security come to a full expression only when one needs to identify the values that can be endangered and when one needs

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to define vital state and national interests that should be protected by the elements of the national security system" (Gaćinović, 2007:12).

## 2. Concept of economic power

Looking at the definitions above, economic power is an indispensable component of national security. Economic power is an instrument of a state that helps it to position itself in the world political system, because its enlargement provides for internal stability and a better position for dealing with other actors. The motivation of a state to defend the level of its economic development or increase its economic power is enormous and unquestionable, which is why foreign and security policies are directed in this way.

Neil Ferguson concludes that economically more powerful states were most likely to win in wars. Cases when this did not happen were exceptions. Without adequate economic potential, it is not possible, or it is very difficult, to develop other types of power - military and political. Nevertheless, Ferguson also emphasizes that political events, and wars above all, have decisively influenced the formation of institutions of economic life in certain historical periods (Ferguson, 2012). Economic activities are, therefore, conditioned by political impulses and decisions that ultimately do not have to be motivated by economic reasons. Actors that do not have sufficient military or political power to protect their economic interests will not be able to develop the economic system or create a desirable economic and social environment. And the other way around: countries with high economic growth will allocate a portion of wealth to armaments and will be secured by using various political means, so that someone would not take their entire wealth. The author claims that all of this will be possible thanks to a fair global order, which will regulate the rules of competition is historically unfounded and practically unfeasible. States are therefore interested in continually increasing their economic power. This is the reason for the conduct of security and foreign policy

Economic power implies the disposal of certain capital, knowledge or assets. For Massimiliano Vatiere, economic power represents the ability to influence entities of power by economic methods in order to obtain economic benefits. The author further distinguishes different types of economic power, such as bargaining power, labor power, etc. (Vatiere, 2009).

## 3. The importance of increasing economic power for states

States continue to be the indispensable actors of economic relations. On the one side there is a struggle for power and capital, struggle for knowledge (development of new technologies) and property (natural resources, economic subjects etc.) so it is in the interests of states to influence as much as possible the processes related to enlargement and attraction of capital, development of new technologies and control of economic resources. On the other hand, capital moves where it "feels the safest", innovations arise in established systems where it is invested in education and technological development. Often an agreement is needed between the state and non-state actors in terms of resource exploitation (especially with regard to protection environment and investments in achieving environmental standards). That is why it is in the interest of non-state actors to work in a more favorable ambient, to be a part of a stable system so that they could plan their long-term activities. As a result there is a symbiosis of interests of state and non-state actors which is more visible in actions outside of a country than in the country. For non-state actors wanting to increase their economic capacity, the goal is related to acquiring new wealth, while increasing the economic capacity for the state is linked to political goals.

Since states are indispensable actors of economic relations and their economic power is important for shaping overall international relations. Some actors are economically stronger, others are weaker and thus relations between them change. Economic growth or decline in the country is influenced by a number of internal and external political factors, but above all the issue of ensuring fundamental security. The

industrial revolution in XIX century brought big changes in world economy and this has reflected on economic power of states. "Developing countries owned two thirds of wealth in 1820. Their share fizzled away in a century. For example, between 1800 and 1900, China has gone from 30% to 5% of global wealth. The explanation is simple: in the XVIII century, the population, like the balance, significantly determined the share of countries in global wealth. The more populous country was richer for the simple reason that the income per capita was more or less the same, from one country to another. This order was violated in the XIX century. Thanks to the Industrial Revolution of the XVIII century, Europe and the countries it settled managed to rise above its demographic state. England ruled the world with less than 2% of the world's population" (Koen, 2014:78). Thanks, among other things, to their economic power, European powers are becoming leaders throughout the world. Today we are witnessing a change in the power relations. The "New Industrial-Informational Revolution" is now again affecting the changes in the "blood of the world economy". The strongest impulses are in the Pacific region, which "becomes the *mare nostrum* of the new capitalism after the Mediterranean in the old and the Atlantic in the new century" (Koen, 2014:78). Countries have internal and external reasons to increase their economic power. Internal reasons are related to the stability of the system, the satisfaction of the citizens, their confidence and ultimately by ensuring the necessary legitimacy to the pursued policy. If they are economically weak, countries face a number of internal challenges.

External causes are aimed at gaining a better position in international relations, in order to better defend national interests and ensure national security. The greater the economic power of a state, or the system under its control, the better its position. The wealthier countries are having the greatest say in matters of international issues and security. Unlike a number of international political forums where it is voted under a democratic rule, one state - one voice, in economic forums and even more often in economic (trade) relations between states - the principle "one dollar - one vote" applies more often than not. If they are economically more powerful, states can impose solutions to weaker actors. Also, dragging the weaker stakeholders into a kind of dependency on a more economically viable state, whether through investments, import-export arrangements or lending, facilitates the implementation of stronger actor's foreign policy. Charles Kegley and Eugene Wittkopf warn that the effect of economic factors on the positioning of actors in international politics is as important as the action of military factors. Citing Lester Thurow, predict that in the future, large powers are likely to directly confront on "economic battlefields". "Diffusion of wealth points to the likely intensification of political competition between great powers. In the course of history, changes in comparative economic advantages preceded the political rivalry. When there was multipolarity, economic rivals were trying to protect their wealth and compete politically for economic positions. This was most often followed by a military conflict. It is difficult to predict how the great powers will be military and economically ranked in the XXI century. A great variety of strategic and trade relations is possible. The prediction task in the first decade of the XXI century is further complicated by the paradox that many of the great powers pairs, the most active trading partners, are at the same time the largest military rivals" (Kegley and Vitkof, 2004: 209-211). Economic power is most often analyzed according to certain econometric indicators. Econometrics uses mathematical methods and statistics for the presentation of economic data, and thanks to its development, it is possible with a certain degree of reliability to predict future trends in the economy (Hušek, 2007). The most commonly used indicator of economic power is gross domestic product (which is defined as total generated domestic income or the total production of goods and services realized in the national economy) in various forms (total, *per capita*, according to purchasing power parity, according to the purchasing power parity *per capita* and so on). Also, for the analysis of bilateral relations, one can use indicators on trade, exchange structure, investment height and other data concerning economic relations between the two countries. However, although econometric indicators can be highly reliable, it should be kept in mind that economic data are not experimental in nature, and therefore modeling does not use a deterministic, but stochastic approach.

Without economic power, it is not possible to have either military or political power. How is it possible to develop military potential without financial support? Military budgets have to be specifically dedicated. Scientific research, essential for technological development, must somehow be financed. Weapons are costly, a army maintenance too. Likewise, maintaining political status in international relations is also costly. The economic crisis in the western part of the world has led to a decline in US military

expenditures, which has resulted in a decline in power domination over China, Russia and India. The crash of stock exchanges in Southeast Asia in 1996-97 has left consequences on all of the countries in this part of the world, excluding China and South Korea, who have in a certain period been allocating less for military purposes, which was mostly reflected in the case of Taiwan. The economic turmoil in Turkey in the late 1990s and the latter inflation in 2000 affected the level of military spending in a sense that even at 2015 they did not reach the level of spending from 1998. Iran was in a similar situation, and due to the long inflation period 2010-15 they had to spend less on armament and modernization of armed forces. Certainly the most violent example of the link between economy and armament are events from the Soviet Union of the 1980s. Poorly assessing its own potential, Soviet leadership joined the "arms race" with the United States, which has exhausted the national economy to such an extent that it has become one of the main causes of the disintegration of the country. The Soviet Union was not able to counter the US, as its participation in the global economy was at that time less than 5%, and the US over 22%. In addition, the United States could, through NATO, share costs and successfully mobilize the resources of allies, among which were the world's largest economies.

#### 4. Conclusions

Looking at international relations from the realist perspective in this paper, we explained why economic power is important. Undoubtedly, economic power is one of the key components of national security. Without a adequate economic power, there can be no national security. Economic power is necessary in order to develop the military power of the state, but also to increase political power. One of the basic functions of the state is to make life easier for its citizens, to protect their dignity and to provide them with the necessary conditions for each type of development. Satisfied citizens, proud of their country and aware of the fact that system they live in protects them, will support the ambitions of the state leadership and work to meet national interests. And without the fulfillment of national interests, there cannot be talk of ensuring national security. Economic power of the country, therefore, stipulate other forms of power. Although, it should be emphasized again, that there cannot be the growth of economic potentials without political influence and military means with which wealth can be defended.

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