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International Practices to Improve Economic Security

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Abstract:

The article analyzes international practices in ensuring economic security, considering the experiences of the European Union and the United States in this area, as well as suggests recommendations for improving economic security in Russia.

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1. Introduction

Currently Russia's economy is going through another stage of the financial crisis; thus, the country's economic security issues are relevant now more than ever. Threats to the economic security of the national economy increase with the strengthening of globalization processes. The development of economic systems contributes to the increase in threats to economic security, as well as increase in volumes and varieties of economic crimes (Zerkalov, 2008; Dudin *et al.*, 2016; Chernysheva *et al.*, 2017). In the current circumstances there is a lack of appropriate institutional and organizational-methodological background documentation, trainings and courses, which could inform in the accessible form the heads of established business entities, employees of banking financial institutions about the possible manifestations of corruption, shady activities, fraud, and various tricks of criminals in the field of economic activity, as well as concerning possible tools to prevent illegal activities and expose criminals (Kolesnichenko and Maksakov, 2013).

In the current situation relevant is the study of best practices of foreign advanced countries in provision of economic security of enterprise structures, application of tools to prevent illegal actions, as well as issues of combating economic crimes. Russia is integrated into the world system, which is changing before our eyes, and therefore its security cannot be analyzed beyond the context of security of other states. Western experts indicate that the weakest links in the competitiveness of Russia are the economic power of the state, as well as the low efficiency and quality of public administration. While in general, in terms of the global competitiveness index Russia took the 43rd place, in terms of the institutions it was ranked 100. At that, regarding such important indicator as market size, Russia continues holding in the world the lead 6th place (The Global Competitiveness index 2016-2017).

2. Research objects and methods

The research object is the economic security of the state as a system. The research subjects are organizational-methodological and methodical aspects of economic security. Research methods include abstract-logical approach, systematic analysis, and monographic method. As is evidenced from global practices, economic security of the state is the main guarantor of the independence, sustainability, and success. Economic security is one of the most important characteristics of the economic system. Economic security can be described as the complicated indicative system that includes national interests in the sphere of economy, as well as threats and threshold values of economic security indicators (Vechkanov, 2014).

Economic security creates the foundation, which can be used for successful solution of all other internal and external problems of the economic system, defining the direction of its further development to enhance competitiveness in the global economy, and provide national security in general (Maksimtseva *et al.*, 2016). In

turn, the economic security of Russia is impossible without conducting effective reforms in the economic system and achieving sustainable economic growth. Therefore, this task must be addressed comprehensively, using the accumulated array of own expertise and foreign practices on several economic areas, not limited only to issues of economic security. In other words, a more efficient economic system allows achieving higher level of economic security.

The tendencies of the modern world reflect the complex situation that has developed in the global economy. It is characterized by a slowdown in economic growth, deterioration of key macroeconomic indicators of the leading countries, as well as the worsening of geopolitical conflicts and trade wars (Skogoreva, 2016). Changes in geopolitics have had a negative impact on the domestic economy, which is currently in a tight situation. The twofold fall in oil prices, which was partially offset by a reduction in the price of imported goods, has led to another precipitous decline in terms of trade, created powerful external economic shocks, reduced economic productivity and potential growth rate. This has led to new reproductive collapses, the elimination of which requires a transition to a constructive economic policy (Petrov, 2016; Bibarsov *et al.*, 2017; Bruskin *et al.*, 2017). These trends shape the challenges of the economic security of the Russian Federation, which require timely and relevant response. Consequently, in the context of economic crisis, to ensure the safety of the domestic economy, Russia needs several structural changes (Tsagolov, 2016). The changes should apply to different fields of the state structure and surely be of systemic nature. These requirements are due to the need for reforms, able to promptly trigger healing mechanisms of the individual, society, and the state as the basis for national security of the Russian Federation.

The analysis of existing foreign approaches to the definition of economic security shows that theoretical understanding has been developed along with the state economic strategy and formation of the public administration mechanism. States' positions in the field of economic security differ depending on the continent, the specifics of economic development, global integration processes, and the mentality of the population, as well as the priorities of national interests. At that, there is a close relationship between solving problems (neutralizing threats) of social and economic development, increasing the level of economic growth, and consolidating the interests of all sectors of society and economic actors.

To address the problems encountered in countries about the global financial and economic crisis (decrease in GDP, unemployment, lowering the level of foreign exchange reserves, increases in income differentiation among the population) and economic security management, governments of several foreign countries have taken active measures to regulate their national economies. Key government authorities, whose powers include economic security, balanced development of industry, and domestic and foreign trade are the Ministry of Commerce in the United

States, Ministry of Foreign Trade and Industry in Japan, Ministry of Industry and Information Technology in China, and Ministry of Trade and Industry in the UK. Interestingly, that in several advanced countries (the USA, Japan, and China), economic security is equivalent to protection of national interests and national security in priority spheres of the life of citizens. Therefore, the fundamental documents defining the key areas in this field are the strategies or the concepts of national economic security (Vlasenko, 2017).

Economic security in the United States is determined, first, as the availability of sufficient funds to meet the needs of the country, secondly, as stable and sustainable system of economic relations, and thirdly, as a system of state mechanisms for the protection of its national interests. The US economy is the source of global economic growth and sustainability of the world economy. Possessing enormous resources and diplomatic influence, the USA thereby is building a foundation for long-term development of the country. One of the methods of improving the economic security of the USA is investing in the development of good jobs to increase income. These include funds dedicated to creating high quality jobs and fostering of economic relations abroad. This helps to increase national revenue and will open new ways of development for US companies abroad.

Moreover, according to experts, this will greatly strengthen the US position in the global financial system. This also was stated by the US President. The second method for ensuring the economic security of the United States involves the consolidation of the financial and economic system through the summit of G20 (Group of Twenty Finance Ministers and Central Bank Governors) and the WTO (World Trade Organization), which ensures that WTO accession contributes to stability and growth. The third method concerns the US trade agreements. The US Congress has developed the renewal of powers to promote trade and improve trade routes, create jobs, improve the quality of life, and strengthen partners. With the help of Transatlantic Free Trade Agreement (TAFTA) and the Transatlantic Trade and Investment Partnership (TTIP), the United States impose the highest international standards, which are necessary to optimize workers' rights and remove barriers for the US exports and the conversion of the US into free-trade zone (National Security Strategy, 2015).

In the European Union, the term "economic security" refers to the unification in the world economic system (Ocepek, 2010). Despite the concept of economic security of the European Union, aimed at strengthening the economies of the allied countries through integration and active policy of the EU neighborhood with Eastern European countries, Southern Caucasus, Central Asia, and the Mediterranean region, we propose to consider certain countries separately in terms of ensuring economic security in the context of national doctrines, programs, and concepts. Thus, Federal Republic of Germany has no specific law concerning economic security concept. The state program of economic security is implemented primarily through laws regulating the most important fields of market activities and conferring the state

significant control functions (White Paper on German Security Policy and the Future of the Bundeswehr, n.d.). When comparing threats to the economic security of Russia and Germany, we should note that the model for their economic development and political status on the world stage serves as fundamental factors of their economic security (Kadnikova and Chvora, 2017).

In France, the main state document, which addresses certain provisions of the economic security, is the Law "On National Security" of 1964. Economic policy of France is aimed at reducing the vulnerability of the economic system and preserving economic independence by preventing and minimizing the risks associated with dependence on the outside world (Zhakieva, 2016; Albekov *et al.*, 2017).

By the end of the second decade of the XXIst century, China, India, Southeast Asian countries, and Brazil outstripped the old political leaders of the G7 countries in a certain area of the economy. Russia also has begun to regain its world position. This led to the fact that the structure of the global political and economic system has radically changed. The economic weight of the new leading states led to increase of their political weight as well. New international associations have appeared in the world, such as Shanghai Cooperation Organization, BRICS, Eurasian Economic Union, as well as new alternative development institutions – the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank, which, unlike the International Monetary Fund (IMF) and World Bank (WB), are controlled by China, India, Russia and Brazil, rather than the USA.

Economic security of any country, in our opinion, can be described using the following set of criteria:

- the economy's dependence on energy resources and prices;
- political status of the country on the world stage;
- industry development level;
- agribusiness development level;
- employment and unemployment level;
- the development level of the innovation component and innovation technology;
- import substitution level;
- the level of development of neighboring countries (Kapysh, 2016).

Table 1 presents indicators to assess the cumulative power of world leading political states. This indicator demonstrates the existence of powers that allow state to resist internal and external threats. It is proposed to consider 9 main indicators characterizing share of the country in the global volume. These are GDP (based on PPP), military spending, military strength, population, territory, international reserves, contributions to UN (political capital), and the volume of goods and services exports.

Table 1. Cumulative power indicators of world leading political states
(Krotov and Muntiyani, 2017)

Leading nations	GDP (PPP, trillion USD)	Military spending	Military strength	Population	Territory	International reserves	Contributions to UN	Exports of goods	Exports of services
China	17.2	12.8	11.3	18.7	7.2	29.1	5.1	12.3	4.7
USA	15.7	35.6	6.8	4.4	7.1	3.3	22	8.5	13.9
India	6.9	3.1	6.4	17.8	2.3	3	0.7	1.7	3.2
Japan	4.5	2.4	1.2	1.7	0.3	10.5	10.8	3.6	3.2
Germany	3.4	2.4	0.9	1.1	0.3	1.5	7.1	7.9	5.4
Russia	3.1	4	3.7	2	13.2	3.1	2.4	2.6	1.3
Brazil	2.8	1.5	1.6	2.8	6.4	3	2.9	1.2	0.8
France	2.4	3	1	0.9	0.4	1.2	5.6	3.1	5.4
UK	2.4	3.3	0.7	0.9	0.2	1.1	5.2	3.3	6.8
Italy	2	1.1	1.1	0.8	0.2	1.1	4.4	1.4	2.3

The Russian economy is characterized by a much lower level of workforce productivity than that in advanced countries (Bodrunov, 2016). Over the past 25 years, the withdrawal of worn-out fixed assets and their updating happens practically very slowly. The percentage of disposal of fixed assets is reduced. While maintaining such rates of replacement of old equipment, it is impossible to achieve world standards in labor productivity. In Russia, the problems of economic restructuring remain unresolved. Russia needs to develop and implement a new investment and industrial policy.

New conditions of world existence pose new challenges for the Russian Federation that require primarily a science-based solution. The scientific community needs to change its priorities and urgently begin to address a set of interdisciplinary pressing issues on creation of scientific-theoretical basis, which is needed to conduct practical works on security, defense, and survival of the state and its citizens. The country's leadership needs science-based prescriptions, how and by what means and resources to save the country from a possible disaster, minimize risks and threats, and avoid dangers. Russia needs a modern strategy of survival and development.

Strategy of economic security of Russia for the period until year 2030 was approved on December 7, 2016. At that, the government was tasked with developing of Action Plan for its implementation by June 1, 2017 to neutralize or minimize the underlying threats (The executive Order of the President of Russia No. 208 dated 13.05.2017), which included the following:

1. The global economy dynamics and instability in global financial markets.
2. Strengthening global competition.
3. Structural constraints hindering economic growth.

4. The instability of the financial and transport infrastructure.

The solution of these problems should be carried out using the achievements of contemporary economic science, broken down by the following directions.

First: To refine the list of indicators reflecting the level of economic security of the country, which should be used to approve thresholds and values that provide the desired level of economic security.

Second: To form practical toolkit that will allow comparing the obtained indicators with similar indicators of the previous periods, or with their reference values, as well as with data referred to other countries. The resulting pattern will provide information for designing and making various kinds of managerial decisions, both in the medium and long terms. Using an extended list of indicators reflecting the state of the economic system based on various parameters, it is possible to determine the zones of danger and their depth.

Third: To offer modernized mechanism for using potential of international organizations and alliances. At that, it is necessary to consider the internal and regional instability, which can generate threats of conflicts, up to armed clashes, and terrorist attacks.

Fourth: To carry out structural and qualitative changes in the executive authorities at federal and regional levels (Kharlamova, 2016). Within these changes, there can be established special structural subdivisions carrying out the evaluation of the economic security level according to the approved indicators and three criteria, as well as developing and implementing measures aimed at its improvement (Kharlamova, 2017).

Fifth: To strengthen the role of state regulation of market economy within the threshold values (80-100%) of economic security and its subsystems, given the experience of world leaders such as the USA and China, thereby creating an effectively functioning economic mechanism. In this case, the optimization criterion of liberal and paternalistic management practices should be achieving the goals of strategic planning, of which the major one is the strengthening of national security based on strengthening of national power and ability to survive. Otherwise, time will be wasted, and Russia will be pushed to the margins of the evolutionary process of world development (Krotov and Muntiyani, 2017).

3. Conclusion

Describing measures aimed at ensuring economic security in foreign countries, we can state that national programs and concepts are focused on improving the

efficiency of the economy, and at the same time they support the existing level of personal economic security of their citizens despite maintaining economic security of the European Union and the United States. That is, the economic security of foreign countries is ensured through the achievement of economic security of each country individually through their national programs.

The most important trend in contemporary Russia's policy determining national power and Russia's ability to survive is the implementation of the Strategy of economic security of Russia for the period until year 2030, approved by the presidential order dated May 15, 2017. The "Strategy defines the challenges and threats to the economic security of the Russian Federation, as well as the goals, main directions and tasks of state policy in the field of economic security". At that, the Strategy indicates the need to "*ensure monitoring and evaluation of economic security of the Russian Federation*".

The main guidelines to enhance economic security in Russia include: refining the list of indicators reflecting the level of economic security of the country; developing tools, which will allow comparing the obtained indicators with similar indicators of the previous periods, or with their reference values, as well as with data referred to other countries; developing a modernized mechanism to use potential of international organizations and alliances; and implementing structural and qualitative changes in the executive authorities at federal and regional levels.

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