Economic Security as a Tool for Ensuring National Economic Development

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Abstract. The paper discusses the concept of national economic security as a tool for ensuring progressive economic growth. The concept is multifaceted and involves ensuring security in all spheres of economic activity, in the social sphere, etc. However, today economic security is increasingly jeopardized by new threats that the state is obliged to protect against. Ensuring economic security starts with some social issues, namely, ensuring a growing personal income, combating unemployment and poverty, etc. Growing personal incomes allow enterprises to increase production volumes and create conditions for innovations to be launched, i.e. bring about a multiplier effect. As of the first quarter of 2022, the poverty rate in the country was over 14 %, which means that 14 % of citizens could afford to buy only the most necessary items, not to mention any major purchases. Unfortunately, Russia is still dependent on imported machinery, equipment, IT components, etc. Domestic production is inferior to foreign counterparts, both in price and quality, and an import substitution policy has not been fully implemented yet. On the other hand, foreign companies having withdrawn from the domestic market caused price rises and reduced competition for domestic producers. Thus, the state is required to provide support for manufacturers, on the one hand, and on the other hand, to take measures in the social sphere that would reduce social tension and foster economic recovery after a long period of self-isolation caused by the coronavirus pandemic and increasing sanction pressures.

Keywords: economic security, economic progress, well-being, standard of living, economic growth

1 Introduction

In modern conditions marked by accelerating processes of globalization, it is more and more important to ensure sustainable economic progress. Along with this, it is crucial to ensure national economic security as a state of security and the absence of threats, both in the internal and external environments. To date, businesses and society have not fully recovered from a long period of self-isolation caused by the coronavirus pandemic, while an amplified sanctions pressure has only exacerbated an already difficult situation. A number of organizations were forced to reduce some employees or transfer them to part-time jobs, and some organizations completely ceased their activities. During this period, a share of unemployed citizens increased sharply and government assistance was required in the form of additional payments to certain groups of society. Under sanctions pressure, a number of foreign companies left the domestic market. An import substitution policy implemented since 2014 is already showing positive results, but so far, it has not been possible to provide citizens and organizations with everything they need. In particular, there is still a high dependence on imported machinery, equipment, chemical products and IT components. Hence, prices for goods and services continue to rise, while the level of real personal incomes is declining. Under such conditions, the state is required to take additional measures aimed at ensuring economic security, which would result in continuous economic growth, increased welfare of citizens, reduced social tension, and opportunities for the population and enterprises to make forecasts for the future. Hence, there will be positive effects in the economy, fostering the growth of national welfare as such.

2 Problem Statement

In the light of sanctions pressure from other countries and the acceleration of globalization processes, the problem of ensuring sustainable economic growth will therefore be critically important. However, it is impossible to put it to practice without ensuring economic security in all spheres of economic activity. Thus, identifying the problems in ensuring economic security will allow further measures to eliminate them and support national economic progress.

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3 Research Questions

A large number of domestic and foreign publications are concerned with the problems of ensuring economic security. According to The Strategy of Economic Security of the Russian Federation for the Period up to 2030, economic security is understood as “the state of protection of the national economy from external and internal threats, which ensures national economic sovereignty, the integrity of its economic space, the conditions for the implementation of strategic national priorities of the Russian Federation” [1].

The Strategy also interprets the concept of “threat to economic security” as a set of conditions and factors that create a direct or indirect probability of harming national economic interests of the Russian Federation and “risk in the field of economic security” as a likelihood of harming national economic interests of the Russian Federation in delivering on a threat to economic security [1]. Besides, the concept of economic security is multifaceted and is composed of elements including security in certain sectors of the economy, security in the social sphere, etc. Ensuring national economic growth involves ensuring economic security in all its structural elements and arranging an effective framework for monitoring the level of economic security in order to detect threats and take timely measures to neutralize them and limit negative impacts.

4 Purpose of the Study

The paper aims to analyze threats to economic security in modern conditions and to identify ways to put them down in order to achieve progressive economic growth.

5 Research Methods

The paper relies on the method of analyzing the level of economic security. It provides statistical data from official sources and expert opinions on the state of the market.

6 Findings

The level of economic security, both national and regional, can be assessed through a system of indicators. On the one hand, this approach provides a method for predicting and assessing threats that may spring up in the future, and on the other hand, develop a set of measures aimed at preventing threats [2].

The World Economic Forum showed that the key national indicators are:

- annual inflation rate;
- unemployment rate;
- amount of federal budget deficit;
- amount of external debt of a country;
- amount of tax burden on the economy and other indicators [2].

The state of social sphere largely determines the level of economic security, ways to provide and strengthen it. A significant threat to economic security in the social sphere is sharp income disparities. It is common for all countries of the world and should not be too large, though. Based on global experience, when the value of this indicator is 8 times higher, society enters a zone of social tension and instability. This increases the likelihood of social conflicts [3]. In Russia, this indicator is nearly twice as high: income inequality has reached 15 times. Thus, in our country there is a serious threat to socio-economic security. This problem stems from such indicators as poverty and unemployment rates, per capita incomes.

Poverty in Russia continues to grow (Fig. 1). In the first quarter of 2022, the number of people in Russia with incomes below the poverty line reached 20.9 million or 14.3 % of the total population. This figure indicates that almost 21 million people have incomes below the subsistence minimum and can afford to buy only the most basic products, not to mention any major purchases (household appliances, a car, an apartment, etc.). A threshold share of people with incomes below the subsistence minimum in the entire population is 6 %. At present, the poverty rate is more than twice the critical value [3].
One of the urgent threats to social stability is unemployment rate. A negative effect of unemployment is intertwined with intensified social tension, and, consequently, a growing threat of social explosions and expansion of the shadow economy. Moreover, unemployment increases the burden on working citizens who have to pay the expenses for disadvantaged individuals (disabled people, low-income citizens, etc.). In scientific studies aimed at the development of a list of indicators of economic security and their thresholds, unemployment rate exceeding 4% of the economically active population indicates a threat to economic security in the social sphere [5].

Fig. 2 shows data on the unemployment rate in Russia. There was an unemployment rise in 2020, which was due to the period of the coronavirus pandemic, when organizations being in self-isolation were forced to reduce their staff, and some even stopped their activities. As of September 2022, according to Rosstat, the unemployment rate fell to 3.8%. The indicator characterizes the level of registered unemployment and does not address unemployed citizens who were not registered with employment centers.

Rising unemployment and poverty rates result in human welfare losses. Therefore, the average life expectancy of citizens is decreasing.

Another important indicator in assessing the level of socio-economic security is the size of average per capita incomes. Figure 3 shows data on the level of average per capita income. As can be seen, over the target period, the level of income grew and in the third quarter of 2022 reached 46,025 rubles.

However, this indicator characterizes only the nominal amount of incomes. Against the backdrop of rising inflation (Fig. 4), the level of real personal incomes continues to decline. As of October 2022, the inflation rate was 10.65%.
Overall, according to the results of the third quarter of 2022, the level of real personal incomes amounted to 97.6%. This suggests that real incomes are declining. In 2021, the level of real incomes slightly increased, which was due to additional payments to certain categories of citizens (low-income families, families with children, etc.). This measure was temporary.

At present, Russia is continuing the Import Substitution Program as part of the state program on Development of Industry and Improving its Competitiveness launched on April 15, 2014. The document approved plans and main directions for the development of import substitution for each type of industry until 2035. Since 2014, more than 1,500 import substitution projects have been completed.

Fig. 6 shows data on the progression of the share of imports in the volume of retail trade resources. During the target period, there was a systematic decrease in the share of imports of both foods (in 2014–2021 the indicator decreased by 3% and amounted to 39%) and consumer goods (the indicator decreased by 10% and amounted to 24% as of the end of 2021).

Over the past 8 years of sanctions pressure on our country, a positive result has been achieved in the policy of import substitution in the agrarian sector. The Russians have almost been provided with domestic products. Agriculture today has markedly surged ahead in terms of development.

Nevertheless, it is still crucial to provide the agrarian sector with seeds of various crops. In addition, domestic animal husbandry has a limited gene pool. Thus, the dependence on imported seeds and animals remains the same. There is also a need to upgrade agricultural machinery.

Fig. 7 shows the import commodity composition 2021. Over the target period, imports accounted for over 48% of machinery, equipment and vehicles. Chemical products ranked second.
As of the end of 2021, almost 80% of imported foods and agricultural stock for their production came from non-CIS countries and only 20% from the CIS member states, 13.5% of which were from Belarus.

Implementing the import substitution policy is not limited to the issues of reducing the import of foreign foods. This direction remains relevant for the field of mechanical engineering, light industry and production of industrial commodities. Today, the dependence on imported components for the defense industry and IT sphere has not been fully solved.

Although import substitution has a number of undeniable advantages, this does not mean that it is possible to abandon imports completely without damage to the domestic economy and the quality of the market.

In a globalized economy, a complete isolation of the domestic economy is impossible. The implementation of import substitution policy is linked with a need to develop and integrate new technologies. On the one hand, it will reduce dependence on foreign producers. On the other hand, today, a number of domestically produced goods are inferior to foreign counterparts, both in price and in specifications. While in the field of food production there is a positive trend towards the replacement of foreign goods with the produce of domestic manufacturers, in the hi-tech industry, mechanical engineering, etc. there is still a high dependence on imports.

Table 1. Advantages and disadvantages of import substitution policy

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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Reduced dependency on other countries</td>
<td>Growing influence of public policy on industry</td>
</tr>
<tr>
<td>Construction and commissioning of new plants</td>
<td>High costs to advance new industries</td>
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<tr>
<td>Development of technologies</td>
<td>Reduced competition</td>
</tr>
<tr>
<td>Creation of employment</td>
<td>Product degeneration</td>
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<tr>
<td>Growth prospects for Growth prospects for commodity exports</td>
<td>Price rises</td>
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Thus, we can emphasize a number of problems in the social sphere, among which are: growing poverty, high inflation, which, in turn, leads to a reduction in real...
personal incomes. In this situation, the need of citizens for loans to meet the current needs for large purchases is growing. Therefore, citizens are increasingly indebted, while social tension and discontent are growing. Strengthening sanctions pressure has recently led to an outflow of certain types of goods from the domestic market, and, as a result, to price rises for domestic goods that became less available.

The policy of import substitution is not aimed at total protection from foreign products and services. It involves providing people and organizations with all the required goods and components of domestic production. On the other hand, the policy being implemented in the conditions of foreign manufacturers leaving the domestic market reduce competition and rise prices for domestic goods. In addition, domestic products are significantly inferior to foreign counterparts, not only in price, but in quality as well.

In terms of identifying and bringing threats under control, indicators of economic security are of paramount importance, because it is in the process of correlating actual and threshold values that threats or the risk of threats are detected. Scientific opinions on the list of indicators and, in general, the system for assessing the level of economic security differ, and still there is no single approach to address this issue. Besides, ensuring security in the economic sphere and, importantly, the need for constant monitoring of indicators are acknowledged to detect threats timely and make prompt decisions.

7 Conclusion

Thus, ensuring economic security is crucial in supporting national economic growth. To date, the main problems involve poverty rise, lower real personal incomes, high unemployment, high inflation, dependence on imports, low quality of domestic goods. These problems can entail a number of threats, in particular, intensified social tension and discontent, huge debt load of the population, which eventually may adversely affect national economic growth.

To date, there is no single approach to assessing the level of economic security. However, the most common approach is based on the assessment of economic security indicators and their correlation with threshold values.

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