

THE NEW ECONOMIC SECURITY OF THE EUROPEAN UNION

Ioan Claudius RĂDUȚI¹, Ana-Maria DOROBANȚU FLOREA², Adriana GIURGIU³

¹Bucharest University of Economic Studies (ASE București), Doctoral School of Economics and International Business, Bucharest, Romania

²National School of Political Studies and Public Administration, Doctoral School, Bucharest, Romania

³Department of International Business, Faculty of Economic Sciences, University of Oradea, Oradea, Romania; Doctoral School of Economics and International Business, The Bucharest University of Economic Studies (ASE București), Bucharest, Romania

Radutiioan10@stud.ase.ro, ioanclaudius.raduti@gmail.com (Corresponding Author)

Ana.dorobantu11@gmail.com

adrianagiurgiu@gmail.com

Abstract: Geopolitical changes have shown that current threats are not only directed at the state's security but also at the individual's. Besides the traditional concept of security, a new concept has emerged: economic security. The liberal conception was based on the hypothesis that economic interdependence would lead not only to prosperity but also to greater security. Traditional analyses do not sufficiently capture the real connections between the economy and security. In traditional approaches to security, the key concept was state security; in neo-traditional ones, new actors such as international organizations and non-governmental organizations also intervene alongside the state. Transformations in the international system demonstrate the need for a geostrategic renegotiation of relations at the regional level to ensure states of regional economic cooperation based on principles promoted by the European Union. Our analysis is a qualitative one, examining documents relevant to our topic, as well as a series of theories that underpin our analysis. Our research methods include content analysis of important documents and a SWOT analysis of the current crisis generated by the conflict in Ukraine. The central issue is given by these major changes that challenge the European project. In the face of these geopolitical changes, the following question arises: "Can economic interdependence be used to create stable bilateral relations between EU member states and between the EU and third countries to ensure European economic security?" The research starts from the following hypothesis: "As long as there is cooperation between the countries neighbouring the EU, there will be no risk of conflicts." Since the EU acts not only in its own interest but also to create a business environment conducive to the development of enterprises in member countries, the risks the EU is exposed to as a global actor will also impact various industrial sectors and the internal market. Our objective is to demonstrate that the European Union, as a regional actor, can ensure the economic security of member states in the face of new hybrid threats. Our analysis focus on examining the economic relations between the European Union and its Eastern neighbours in the context of rapid changes in the international arena.

Keywords: economic security; neo-traditional security; hybrid threats; regional economic interests.

JEL Classification: F02; F50; F52; F60.

1. Introduction

The transformation of the international system from unipolar to multipolar has brought with it certain changes, the most representative being the division into economic interest blocs.

In this context, the EU must adapt its economic policies to face new economic and security challenges. Creating a strong European economic bloc represents a true challenge for the European Union. Although the EU has signed a series of free trade agreements, China's rise in Asia has become a significant competitor in the international market. Regionally, Russia, through the conflict it generated in Ukraine, is a factor destabilizing the south-eastern region of Europe and threatening European energy security.

2. Methodology

Our research methods will include content analysis of important documents and a SWOT analysis of the current crisis generated by the conflict in Ukraine. The central issue is given by these major changes that challenge the European project. In the face of these geopolitical changes, the following question arises: "Can economic interdependence be used to create stable bilateral relations between EU member states and between the EU and third countries to ensure European economic security?" The research starts from the following hypothesis: "As long as there is cooperation between the countries neighbouring the EU, there will be no risk of conflicts." Since the EU acts not only in its own interest but also to create a business environment conducive to the development of enterprises in member countries, the risks the EU is exposed to as a global actor will also impact various industrial sectors and the internal market.

3. Theoretical Context

In our attempt to illustrate the demonstration of the hypothesis, we will present a series of theories that underpin our analysis. Generally, security threats target the international community or part of it (Rousseau & Garcia-Retamero 2007, 745). The freedom of capital movement within the EU has led to the creation of economic interdependence not only at the level of different sectors of activity but also in relations between individuals and regions of different states. Alongside the freedom of capital movement, the causes of economic interdependence are also given by other factors such as:

- Industrialization – the engine of economic advancement;
- Economic growth;
- Regional production – depends on both geographical positioning and soil resources;
- Labour specialization – producing certain components needed by other states.

Another characteristic of capitalist liberalism is uncertainty and risk (Cable, 1995, p. 306). Alongside economic liberalism, institutional liberalism or neoliberalism posits that international cooperation between states is feasible and sustainable. This way, it is considered that the chances of conflict or competition can be reduced. International cooperation can be supported through continuous and repeated interactions that facilitate:

- Reduction of transaction costs
- Provision of information
- Increased credibility of external commitments
- Establishment of clear points for better coordination
- Facilitation of reciprocity principles
- Allowing for interconnection problems that increase the costs of not respecting international commitments

In developing a security strategy, a democratic state will always prioritize the security of its citizens, the related strategies, and the national interests that arise from them. In this context, the EU, through its common security policy, tries to ensure not only the safety of the citizens of member states but also the maintenance of democracy. Whether we are talking about a

state or another actor in the international system (a supranational organization), it cannot be fully secure and will continuously seek to maximize its power to survive (Mearsheimer 2003, 21). According to the security dilemma, the more a state tries to increase its security to obtain safety guarantees in case of facing an aggressor state, the more this inevitably reduces the security of other actors. This stems from the uncertainty regarding the intentions of other state actors in international relations (Nye, 2004).

Generally, security threats target the international community or part of it (Rousseau & Garcia-Retamero 2007, 745). In practice, we encounter three types of threats:

- Military threats;
- Economic threats;
- Cultural threats.

Through the theory of security complexes, authors have distanced themselves from the concept where the dynamics of security were investigated starting from the economic, cultural, or historical sources of a region (Buzan & Wæver, 2003, p. 43). Barry Buzan and Ole Weaver's theory of regional security complexes states that they are defined as distinct and stable patterns of security between actors. Regional security complexes represent a conceptually specific defined region that functionally may or may not coincide with a broader understanding of that region (Buzan & Wæver, 2003, p. 48). In the case of Europe, since most EU member states are also NATO members, we can view part of Europe as a regional security complex. Thus, economic security will be subordinated to the general security of states and not as a dynamic factor of it.

In the specialized literature (Cable, 1995, pp. 306-307), economic security has several meanings:

1. Economic security clearly refers to the commercial and investment aspects that can affect the country's defense capacity.
2. A second way to define economic security is in terms of economic policy tools used in response to aggressions: trade boycotts and investment restrictions or energy resource restrictions. From this perspective, security is seen as "supply security."
3. A third point of view is much more indirectly defined: "relative military capacity can be undermined by poor performance, and thus an economic policy response is necessary."
4. Lastly, there is a more veiled acceptance of security that captures the fear of global instability in economic, social, and ecological terms.

EU institutions are trying to develop a framework with member states for assessing risks that have direct implications for the EU's economic security, including a list of critical technologies for economic security, which will allow risk management in terms of economic security. Creating a continuous structured dialogue with the EU's private sector aims to achieve stronger resilience in economic security. A new revision of the Regulation on the screening of foreign direct investments in member states will also generate better regulation of economic security conditions within the EU. The main directions targeted are:

- Supporting research and development of dual-use technologies
- Using CFSP tools to strengthen the EU's economic security, including the necessary toolkits for hybrid and cyber diplomacy, as well as the toolkit for foreign information manipulation and interference actions (FIMI) (European Commission, 2023)

4. SWOT Analysis of the EU's Energy Security

To conduct a comprehensive analysis, we will use a SWOT analysis of the current energy security of the European Union (see *Table 1*), with three points for each category, which we will subsequently develop briefly.

Our SWOT analysis identified the following strengths:

In the shadow of Russia's invasion of Ukraine, the EU made the historic decision to stop gas supplies through the North Stream 1 and 2 pipelines and reorient itself.

The cessation of gas supply through the North Stream 1 and 2 pipelines and the shift towards the global market to find new fossil energy sources marked a historic decision by the European Union (EU) to decouple energetically from the Russian Federation. This launched the EU into a race against time to find alternative sources. As we have seen, the reorientation was immediate and effective, accelerating the EU's transition to green energy and its own clean energy production by several years.

In light of the events of February 2022, the need to strengthen the EU's energy security became increasingly apparent. This involved adopting new alternative energies, abandoning fossil fuel heating, and consolidating European energy policies. The only way these changes were necessary was through strong cohesion among member states on energy security. Since spring 2022, the EU has successfully established a viable energy security policy for its member states, ensuring there are no supply chain disruptions.

Among energy products, gas represents the highest share of imports within the EU. To balance dependency, energy hubs such as the one in Turkey have been created, ensuring a continuous flow of energy to consumers.

Table 1: SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Decoupling the EU's energy from the Russian Federation - Strengthening the EU's energy security - Achieving strong cohesion between member states regarding energy security 	<ul style="list-style-type: none"> - The significant share of energy products imported from Russia in the EU's total imports - Lack of experience of member states in collaborating on common trade policy in crisis situations, and the imposition of sanctions on Russia produced a trade deficit that peaked in 2022 - Dependency on Russia facilitated its blackmail in the hybrid war it is waging with the EU
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Achieving stronger cohesion of European policies, not just those on energy security - Strengthening the green energy sector and making necessary changes now - Bringing the EU closer to other external gas and oil markets 	<ul style="list-style-type: none"> - Failing to meet commitments made by member states in a timely manner - Increasing pressure exerted by Russia on states within its sphere of influence could lead to higher demands on the EU and member states, making them unable to meet external demands - Changing the war in Ukraine

Source: own contribution

Our SWOT analysis highlighted the following weaknesses:

Due to the high share of gas imports from Russia (about 4.1% of the total gross energy product in 2020), achieving total independence from Russia is progressing quite slowly. (Figure 1)

Individual preferences of member states regarding direct cooperation with Russia made balancing the trade deficit difficult. This was reflected in how they approached the necessary updates for a common European energy security without Russia. Until 2022, each EU member state was responsible for its own energy, usually secured through individual contracts with the main supplier, typically Russia. Since then, there has been a struggle between states that quickly achieved energy independence (e.g., Romania) and those still linked to the Russian Federation (e.g., Austria, Hungary).

Throughout this period, Russia systematically blackmailed the EU and its member states through gas and oil, demonstrating once again how hybrid warfare can be waged in states

not involved in conventional war. The conflict in Ukraine also created certain opportunities. For better economic security, the EU sought closer ties with other external gas and oil markets, such as the United States and others. The share of Russian gas imports in total EU gas imports decreased from 39% in 2021 to 12% in 2023. (Figure 2)
Negotiations with the U.S. have already been resolved and are producing effects.

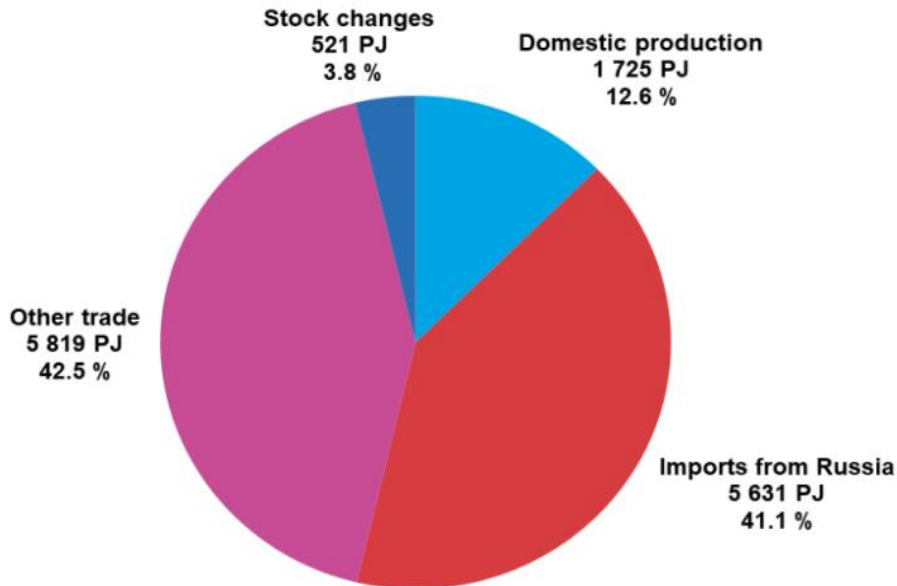


Figure 1: Natural gas. EU production, trade and imports, 2020 (in % and petajoules, PJ)
Source: EUROSTAT (a) (including estimates for non-reported data)

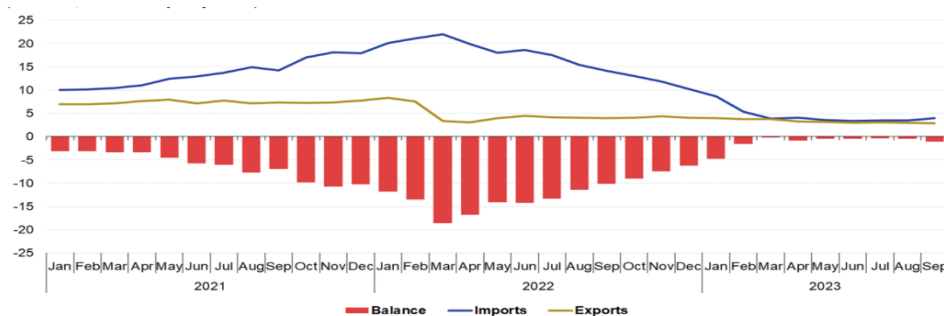


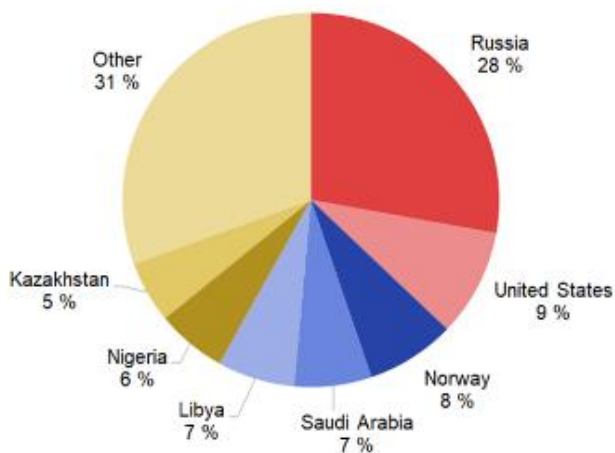
Figure 2: EU trade in goods with Russia, January 2021 to September 2023 (Euro billion, seasonally adjusted)

Source: EUROSTAT (b) (online data code: ext_st_eu27_2020sitc)

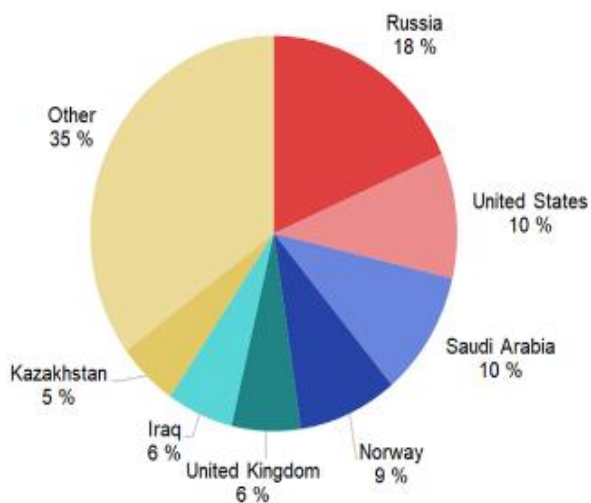
Within the internal EU market, energy producers have mobilized, ensuring that most member states have the necessary energy reserves for the current winter. Stronger cohesion of European policies, not just those related to energy security, yields better results in a relatively short time. Now, the effects will certainly be seen, but global policies have been adopted in light of climate change. The EU adapted by promoting a “green” energy sector. These new policies bring a series of changes. Although these changes were normally planned for a longer period, the current crisis has generated a restructuring and mobilization to create a union that not only meets environmental standards but is also more secure in the face of crises like the current one caused by the conflict in Ukraine.

Moreover, blocking trade with Russia created an EU-Russia trade deficit, which peaked at EUR 18.6 billion in March 2022, as shown by EUROSTAT statistics. (Figure 3)

Q3 2021



Q3 2022



Q3 2023

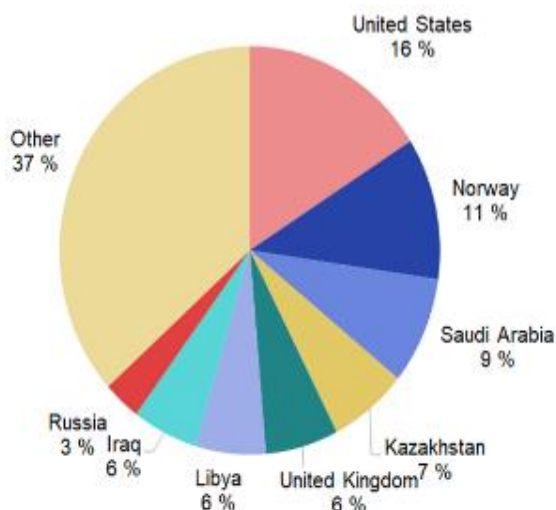


Figure 3: Main partners for extra-EU imports of petroleum oil

Source: EUROSTAT (c) (online data code: ds-059322)

The pressure generated by this crisis can also create some “threats” due to the potential failure to meet member states’ commitments in a timely manner. Limited resources for energy products pose the risk of failing to meet the market demand. In this case, the EU would resort to its reserve stock to ensure its energy security. Another potential threat is a possible change in the Ukraine war, which could have negative consequences for the entire EU.

5. Conclusions

To strengthen the EU’s economic security, it is necessary to (European Commission, 2023):

- Have a resilient economy.
- Provide incentives to ensure the economic security of member states.
- Analyse the impact of intervention policies or the socio-economic impact caused by failures of economic security measures.

The importance of global supply chains has fundamentally increased, following the exit from the COVID-19 pandemic and the onset of international tensions (Schneider-Petsinger, 2021; European Parliament, 2021). The EU cannot ensure its economic security independently but only within an interconnected international environment through direct cooperation with other actors in the international system. Economic security in general, and energy security in particular, can only be achieved if we consider the current geopolitical realities. As demonstrated, this crisis represents not only a possible threat to economic security (and especially energy security) but also an opportunity to recalibrate the energy resources of EU member states.

The vulnerabilities of the EU regarding critical dependencies in strategic sectors are similar to those of other actors in the system, proving once again that each state is potentially vulnerable to different forms of economic coercion. Neighbouring states to the EU, such as

Moldova and Ukraine, are also vulnerable in terms of energy security. The increased pressure from Russia on states within its sphere of influence is noteworthy, exerting pressure on the EU's borders. Although these aggressive policies are reminiscent of the 19th century, the EU, in its role as a regional actor trying to maintain regional stability, must act in the spirit of international law. Achieving economic security at the EU level requires multilateral cooperation within a framework that defines common norms for the EU's global action within the international community.

References

1. Buzan, B. & Wæver, O. (2003). *Regions and Powers: The Structure of International Society*. United Kingdom: The Press Syndicate of the University of Cambridge.
2. Cable, V. (1995). What is International Economic Security?, *International Affairs*, pp. 305-324.
3. European Commission (2023) / Comisia Europeană. (2023, June 20). COMUNICARE COMUNĂ CĂTRE PARLAMENTUL EUROPEAN, CONSILIUL EUROPEAN ȘI CONSILIU PRIVIND „STRATEGIA EUROPEANĂ PENTRU SECURITATE ECONOMICĂ”, [Online], Available: [IMMC JOIN%282023%2920%20final. RON.xhtml.1 RO ACT part1 v2.docx \(europa.eu\) https://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX%3A52023JC0020](IMMC JOIN%282023%2920%20final. RON.xhtml.1 RO ACT part1 v2.docx (europa.eu) https://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX%3A52023JC0020) [10-22 April 2024].
4. EUROSTAT (a): [File:Imports from Russia in gross available energy in 2020 10-03-2022.png - Statistics Explained \(europa.eu\)](File:Imports from Russia in gross available energy in 2020 10-03-2022.png - Statistics Explained (europa.eu) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Imports from Russia in gross available energy in 2020 10-03-2022.png), [Online], Available: <https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Imports from Russia in gross available energy in 2020 10-03-2022.png> [April 2024].
5. EUROSTAT (b): [EU trade with Russia - latest developments - Statistics Explained \(europa.eu\)](EU trade with Russia - latest developments - Statistics Explained (europa.eu) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU trade with Russia - latest developments), [Online], Available: <https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU trade with Russia - latest developments> [March-April 2024].
6. EUROSTAT (c). [EU trade since 2002 by HS2-4-6 and CN8 \(DS-059322\)](EU trade since 2002 by HS2-4-6 and CN8 (DS-059322) https://ec.europa.eu/eurostat/comext/newxtweb/mainxtnet.do?noredirectnewsession=true%20ds-059322), [Online], Available: <https://ec.europa.eu/eurostat/comext/newxtweb/mainxtnet.do?noredirectnewsession=true%20ds-059322> [March-April 2024].
7. Mearsheimer, J. (2003) *Tragedia politicii de forță. Realismul ofensiv și lupta pentru putere*. s.l.:Antet.
8. Nye, J. (2004) *Understanding international conflicts: an introduction to theory and history*, Longman Publishing Group 2004. s.l.: Longman Publishing Group.
9. Rousseau, D. L., & Garcia-Retamero, R. (2007) Identity, Power and Threat Perception A Cross-National Experiment Study, *Journal of Conflict Resolution*, 51(5),744–771, [Online], Available: <https://www.albany.edu/~dr967231/articles/RousseauJCROct2007.pdf> [15-17 March 2024].
10. Schneider-Petsinger, M. (n.d./09/2021) *US and European strategies for resilient supply chains*, [Online], Available: <https://www.chathamhouse.org/2021/09/us-and-european-strategies-resilient-supply-chains> [16-20 March 2024].