**Exogenous determinants of the European Union`s economic security**

**Екзогенни детерминанти на икономическата сигурност на Европейски съюз**

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*The article examines the influence of external factors on the economic security of the European Union. The study found that such exogenous factors as global economic instability, crisis situations in the markets of raw materials and energy resources, international terrorism, and geopolitical tensions can seriously undermine the economic security of the EU. Ways to ensure stability and compliance of European economic systems with external challenges are proposed, including improving energy efficiency, diversifying energy sources, and intensifying support for innovative technologies. The necessity of forming a comprehensive strategy for ensuring the economic security of the European Union in the conditions of globalization and growing threats from exogenous determinants is determined.*

*Статията разглежда влиянието на външни фактори върху икономическата сигурност на Европейския Съюз. Проучването установи, че екзогенни фактори като глобалната икономическа нестабилност, кризисните ситуации на пазарите на суровини и енергийни ресурси, международният тероризъм и геополитическото напрежение могат сериозно да подкопаят икономическата сигурност на ЕС. Предложени са начини за осигуряване на стабилност и съответствие на европейските икономически системи с външни предизвикателства, включително подобряване на енергийната ефективност, диверсификация на енергийните източници и засилване на подкрепата за иновативни технологии. Определя се необходимостта от формиране на цялостна стратегия за гарантиране на икономическата сигурност на Европейския съюз в условията на глобализация и нарастващи заплахи от външни детерминанти.*

**Keywords**: security, economic security, global economic instability, crisis situations, geopolitics, European economic systems, economic strategy.

**Ключеви думи**: сигурност, икономическа сигурност, глобална икономическа нестабилност, кризисни ситуации, геополитика, европейски икономически системи, икономическа стратегия.

**introduction**

In current conditions, characterized by a significant strengthening of globalization and economic relations between different countries and regions of the world, the issue of economic security is gaining more and more relevance and new dimensions. At the same time, the European Union, which is one of the largest economic blocs in the world, has a number of significant problems and challenges in the field of economic security, which require due attention and finding ways to solve them. In particular, one of the critical factors that affect the state of economic security of the European Union is exogenous determinants, which are external factors such as global economic instability, crisis trends in the markets of raw materials and energy resources, geopolitical tensions, etc., which significantly affect the economic the EU system. At the same time, the destructive influence of these factors can negatively affect the stability and compliance of European economic systems with external challenges.

That is why, in modern conditions, the need for perfect analysis of exogenous determinants of the economic security of the European Union and finding out ways to solve existing problems is becoming especially urgent. At the same time, the ultimate goal of forming methods for solving these problems should be to effectively ensure the stability of the entire EU economic system in the face of growing threats. In this aspect, special attention should be paid to the impact of global economic instability on the economic security of the European Union. Solving this problem is possible through a comprehensive analysis of the causes and consequences of crisis trends occurring in raw materials markets and affecting the economy of the European Union. It is on the basis of such an analysis that opportunities are formed to reduce the EU’s dependence on critical imports of certain types of resources.

In addition, the geopolitical tension associated with Russia’s unmotivated chauvinistic aggression against Ukraine, which significantly affected the economic security of the European Union and forced European economies to go through a painful transformation phase to abandon dependence on Russian energy carriers, has gained particular importance recently. All this requires the development of effective ways to ensure the reduction of the influence of geopolitical factors on the EU economic system. Therefore, it is possible to assert the objective necessity of researching the essence of modern challenges and threats facing the European Union in the field of economic security and requiring the formation of effective and efficient ways to solve them. At the same time, it is the detailed analysis of the exogenous determinants of the economic security of the European Union that makes it possible to determine the methods of ensuring the stability of the EU economic system in the face of growing threats. The fact that the probability of an economic crisis caused by external factors is increasing daily makes this problem even more urgent, so understanding and solving the problems of economic security is an extremely important task for ensuring the stable development of the entire European Union in the long term.

**literature review**

The study of problems related to the formation of the system of economic security is not new for modern economic science. At the same time, the classical approach to the understanding of economic security systems assumed that problematic aspects in the field of international cooperation are formed on the basis of confrontation between different clusters of the world economy. At the same time, the latest approaches testify to the predominance of more market characteristics of problems arising in the field of international economic security. In particular, V. Cable argues that “based on an examination of the arguments put forward on the basis of economic security for the protection of domestic supplies, technologies, and markets, contemporary global conditions often require a cooperative rather than a confrontational pursuit of economic security, which is a common condition for the system of international trade” [5].

In addition, it is necessary to note the study of M. Kahler regarding the impact of globalization on the transformation of approaches to understanding the essence of economic security. In particular, he noted that “globalization has caused a review of the essence of economic security in light of the risks generated by cross-border networks of non-state associations and the economic instability of the new global environment. However, the relationship between economic globalization and undesirable economic and political consequences must be precisely defined and carefully evaluated. Judgments about economic security must weigh the consequences of increased volatility caused by globalization against the benefits of improved economic performance over the long term. Institutions can compensate for economic insecurity by providing insurance, strengthening policy confidence, and guiding adaptation to the new environment. National institutions will remain central to ensuring economic security in the face of globalization” [10].

Research by R. Inglehart and P. Abramson, who predicted “the formation of post-materialist values based on the analysis of time series, which controls the joint effects of inflation and unemployment”, is of special importance for understanding the changes that occur in the field of economic security in the process of technological development of society [9]. At the same time, a “statistically significant trend towards post-materialism in all Western European countries was determined. Data from the 1981-83 and 1990-91 World Values Surveys indicated that this change in values occurs in any society that has experienced sufficient economic growth in recent decades such that the experience of the younger generation is significantly safer than that of the older generations. At the same time, large intergenerational differences tend to be observed in societies that have experienced rapid growth in gross national product per capita and are negligible in societies that have had little or no growth. Accordingly, post-materialism increased in 18 out of 20 societies on five continents for which comparative data were evaluated” [9]. On the basis of this study, modern principles and views on the essence of economic security are formed in the European Union, which determines the need to take into account and further evaluate the studied trends in future periods.

In addition, it is worth noting the significant contribution to the study of the problems of the formation of economic security, which is presented in the works of J. Abrhám [1], G. Andruseac [2], R. Böhme [3], I. Britchenko [4], A. Guliyeva [ 6], J. Hacker [7], D. Losman [12], and many others. At the same time, it is necessary to note the diversity of approaches to the definition of individual factors of economic security and its components. At the same time, the lack of a universal approach to its interpretation allows researchers to consider those problematic aspects related to the formation of the principles of economic security, which become especially relevant for a certain subject or system.

However, the growing intensity of the influence of external factors on the system of global economic security requires in-depth research into this issue and improvement of existing work on the formation of economic security systems for global associations, in particular, the European Union.

**results and discussions**

Economic security is an important factor for the stable functioning and development of the European Union. At the same time, the very term “economic security” is based on the principle of unification in a single economic system of various European countries with the aim of general improvement of the state of their socio-economic development. At the same time, pan-European integration aims to achieve a high level of competitiveness in the conditions of globalization. And the ultimate goal of the European Union is to ensure economic security and the formation of a fully integrated Europe with the same standard of living in all participating countries [11].

At the same time, economic security helps ensure the stability of the European Union's economy, which is an important factor in attracting investment, creating new jobs, and ensuring sustainable economic development. As you know, the general direction of the European policy on economic security is aimed at reducing the risks of financial and economic instability. In addition, economic security is an important factor in strengthening the competitiveness of the EU in the global economic environment. In turn, ensuring effective economic security helps to increase the productivity of the real sector, improve the quality of goods and services, and is generally aimed at strengthening the economic potential of the European Union. At the same time, the main strategic goal of protecting the national economic interests of the EU countries is to ensure their sustainable economic growth and modernization of the economy depending on the conditions of competition in the world market.

Determining the reasons that lead to the instability of the global economic system and that generate a significant share of risks and threats exogenous to the European Union, it should be noted that their occurrence and implementation are not determined by individual economic factors, but have a more "broader" origin associated with an imbalance of economic development in different regions of the world. In particular, it is worth highlighting a number of global factors, the influence of which on the state of economic security of the EU is currently the most significant. They include the following:

1. Strengthening of aggressive authoritarian regimes in the world socio-political system. The growth of the economic power of authoritarian and non-democratic regimes is a consequence of their efforts to influence the system of international relations in order to spread their influence on other countries and dictate their vision of their development. An example is the aggressive war of the Russian morally and ethically degraded state against Ukraine. Among such regimes is also China, which seeks to introduce a system of “digital concentration camp” for its population and, in the future, to extend it to countries dependent on it.

2. Growing scale of the global environmental crisis. Global climate change results in an increase in the number of natural disasters that affect the state of infrastructure, the rhythm of production, and the expansion of the number of jobs, which can lead to a general decrease in the rate of economic growth. In addition, an environmental crisis can affect the availability of resources such as water, food, and fuel. In turn, if these resources become more difficult to obtain, this may lead to an increase in the cost of products and services, which will result in an increase in inflation and a decrease in consumer activity. All these factors have a negative impact on the economic security of the EU and require serious efforts to ensure sustainable economic development.

3. Reducing the availability of natural resources. Depletion of traditional natural resources can have a significant impact on the stability of the global economic system, as it can reduce the availability of these resources for production and other activities, which will result in a decrease in economic growth and an increase in the cost of goods and services. In addition, the decrease in the availability of natural resources may also lead to changes in production and consumption strategies, which will increase the need for significant investments to change production processes. More broadly, the depletion of traditional natural resources can lead to geopolitical conflicts between countries that depend on these resources for their economic development. The consequence of this is an increase in tension in international relations and a decrease in the volume of international trade.

4. Accelerated population aging. The strengthening of the demographic imbalance caused by the accelerated aging of the population has a significant impact on the stability of the global economic system. The main economic consequences of this process include a reduction in the size of the labor force and an increase in the costs of pensions and social services. As the population ages, countries may face an insufficient number of workers to support the economy, which may reduce potential output levels and economic growth rates. In addition, the aging of the population leads to an increase in government spending on health care and social services. Expenditures for pensions and other social services also increase, which creates an additional burden on the state budget and reduces spending on other important areas, such as education and science.

5. Growing problem of global hunger. Increasing problems with the food supply of the population have a significant impact on the stability of the world economic system. These problems can be caused by factors such as climate change, environmental crises, population growth, etc. All these factors can cause instability in the food market and lead to higher food prices, which can affect the purchasing power of the population and have the effect of reducing spending on other goods and services. In general, increasing food security problems can have a serious impact on the global economy, including higher prices, lower purchasing power, and changes in exchange rates.

6. Growing social inequality. An increase in social inequality leads to a decrease in demand for goods and services, which can disrupt the production chain and undermine the stability of the economy. Also, social inequality can lead to an increase in the number of criminal offenses in society. Inequality increases the complexity of the tax system, as the rich usually find ways to avoid paying taxes when they rise to cover social losses. In turn, this can lead to a decrease in state revenues, an increase in public debt, and instability of the economy. In the political aspect, social inequality can lead to the emergence of political division, and an increase in populism and extremism, which will also have a negative impact on the economy.

7. Crisis of efficiency of capital investments. Such a crisis has a negative impact on the stability of the global economic system due to the fact that investors cannot find sufficiently effective ways of investing capital, as a result of which there is a decrease in investment volumes and a flow of capital into stable debt government securities or into speculative financial markets. At the same time, if the volume of investments decreases, then the economy cannot grow fast enough to support the needs of the market. This will result in a decrease in employment and consumer demand, a decrease in the profits of enterprises, and an increase in financial instability.

8. Global cultural crisis. The increase in the cultural confrontation in the global world leads to an increase in conflicts and contradictions between different cultures, which can lead to a decrease in international trade and investment. Also, the global cultural crisis leads to a decrease in national self-awareness and identity, which results in a decrease in domestic demand for goods and services in such countries. This can affect their economic growth and stability.

Among the factors that affect the state of economic security, the geopolitical threat from authoritarian regimes, manifested in Russia's war against Ukraine, is the most significant at the moment. At the same time, it is possible to observe a negative cumulative effect, when the dependence of many EU countries on Russian resource supplies, in particular – energy carriers, actually made the European Union dependent on an authoritarian regime that is hostile to democratic systems. The first consequence of such dependence on the European Union in the conditions of the need to break this dependence and the sanctions regime against the Russian aggressors was the acceleration of inflation (Fig. 1).

**Fig. 1. Dynamics of the harmonized index of consumer prices in the European Union and the Eurozone for 2022-2023, %**

Source: Eurostat (https://ec.europa.eu)

As we can see, since the beginning of the war in February 2022, the intensive growth of inflation in the EU countries began. At the same time, inflationary trends in the eurozone were somewhat lower than in the European Union as a whole. This is caused, first of all, by a significant increase in the harmonized index of consumer prices in Poland and Romania, which accepted many Ukrainian refugees and incurred significant costs for assistance to Ukraine. The peak value of the inflation rate in the analyzed period was 11.5% in the EU as a whole and 10.6% in the Eurozone in October 2022. At the same time, if at the beginning of the war, the gap in inflation rates between the EU as a whole and the eurozone was less than one percent, then at the beginning of 2023 the inflation rate in the eurozone was 1.4% lower than in the entire European Union. In general, according to Eurostat data, these threats were reflected in the EU economy by a drop in GDP growth from 5.4% in 2021 to 3.5% in 2022. At the same time, preliminary forecasts of experts gave grounds for a broad post-pandemic recovery of the European Union economy in 2022 with GDP growth of more than 6.2%.

At the same time, if you look at the graph, it is worth noting an important fact - the growth of the inflation index occurred until October 2022, when the Ukrainian counteroffensive allowed to stabilize the situation in the war, which led to a certain normalization of the European markets. As a result, inflation rates began to decrease. Therefore, it can be noted that the end of the war in favor of Ukraine will have a positive effect on the state of economic security of the whole of Europe.

The most significant threat to the economic security of the European Union in recent years has been its critical dependence on supplies of Russian energy resources, in particular, natural gas. At the same time, the main reason for the transformation of the usual commercial process of the supply of resource goods into an economic threat was Russia's attempt to translate trade into the political influence of the European Union. By creating a monopoly position on the gas market, as well as gas distribution companies, the Russian leadership tried to create an instrument of influence on the politics and economic system of the entire European Union with the aim of being able to influence the decision-making beneficial to Russian authoritarianism through controlled corrupt political figures.

The EU's critical dependence on Russian gas supplies reached its peak in 2018 when 41% of all gas supplied to the European Union was of Russian origin. A slight decrease in this indicator in the next three years did not affect the situation of critical dependence on the supplier (Fig. 2).

**Fig. 2. Structure of gas production and import in the European Union for 2018-2022, %**

Source: European external action service (<https://www.eeas.europa.eu/eeas/war-ukraine-and-its-implications-eu_en>)

As you can see, only extraordinary and emergency decisions regarding the reduction of the European Union’s dependence on Russian gas supplies made it possible to reduce their average annual share in the total structure from 38 to 25% during 2022. At the same time, by the end of the year, Russia’s share in the European gas market fell below 10% and by the end of 2023, it should decrease even more. However, the adoption of such extraordinary decisions was not too simple in nature and also had a negative impact on the price of energy carriers and the stability of the functioning of certain sectors of the EU economy.

It should be noted that in 2021, all countries of the European Union consumed 412 billion cubic meters of natural gas. The structure of its consumption indicates that it was practically impossible to replace 40% of the supply at once without a significant impact on critical areas of the economy (Fig. 3).

**Fig. 3. Structure of gas consumption in the European Union in 2021, %**

Source: European Council (https://www.consilium.europa.eu/en/infographics/eu-gas-supply)

As you can see, a third of all gas in the EU was spent on heating, and 22.6% was consumed by industry. The reduction in consumption in these sectors caused the biggest problems related to the increase in the cost of utility services for the population, as well as the reduction of production and the release of workers. However, the extraordinary measures adopted by the European Commission made it possible to stabilize the transformation of the consumption structure and eventually lead to an increase in natural gas revenues from other sources. The stabilization of the situation is also confirmed by the sharp decrease in the price of this resource in February-March 2023. In particular, on March 20, gas futures at the TTF hub in the Netherlands fell by 7% to EUR 39.8 per megawatt-hour [8].

Thus, it can be argued that the growth of external threats to the economic security of the European Union has the character of a real impact on its market stability and threatens the well-being of the population of the entire union. At the same time, as we can see, emergency measures to correct critical situations are not enough to ensure the stability of the EU economic system. Only a well-thought-out and balanced policy of interaction in the field of foreign economic relations can ensure sustainable social and economic development of the European Union in the future.

**conclusions**

So, we come to the conclusion that the growth of external threats to the economic security of the European Union is an objective factor affecting the stability of its economy. Among the factors that have the most significant impact on the state of the economic security of the EU at the present time, it is necessary to include the growth of the destructive influence of authoritarian regimes on the world economic system, as well as the formation of the dependence of the European Union on the supply of certain types of resources from unreliable sources associated with autocracies, who seek to spread their influence on European countries.

Solving economic security problems related to these threats consists in adjusting the foreign economic policy of the entire European Union. In particular, an example is cooperation with Russia, which, due to the involvement of European technologies and capital, transformed into a totalitarian regime, which unleashed a war in the center of Europe. Therefore, EU spending on aid to Ukraine is a payment for broad economic cooperation with the aggressor. It is logical to assume that if Europe had reduced investments in the Russian economy back in 2007 after the first aggressive statements of this country, then the latter would not have been able to form the potential sufficient to resolve such a large-scale war and the largest military aggression in Europe since the Second World War.

Therefore, taking into account these trends is necessary to avoid mistakes in the future, in particular, due to the reduction of risks and threats to economic security from China, which occupies a significant share in the EU’s foreign trade balance. At the same time, China is already expressing real threats toward Taiwan and has also violated the Hong Kong self-government agreement by using force against peaceful demonstrators. In order to avoid problems in the future by getting rid of dependence on the supply of goods from China, which at any moment can also unleash military aggression against its neighbours, it is necessary, as a preventive measure, to significantly reduce its specific weight in the structure of trade with the European Union.

In general, ensuring the appropriate level of economic security of the EU should be based on the formation of balanced trade relations with other countries and their maximum differentiation, taking into account the priority of interaction with democratic countries with a market economy, rather than with directive autocracies. In addition, the still unresolved problem of the energy dependence of the European Union, which involves the transition to green technologies, should be adjusted according to the existing realities. Priority should be given not to the decommissioning of “dirty” sources, but to the replacement of scarce energy sources supplied from outside Europe. Only after the EU can abandon critical external supplies of gas or oil, should the transition to “green” sources of energy generation be ensured. Fulfillment of this condition will preserve the stability of the economic system of the European Union and avoid the destructive influence of external threats.

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