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To study impact and cause relationship of political economy and its component on national security threat to India

Vaibhav Prakash ^{1,*}, Saquib Zafar ² and Bhupender Pal Singh ³

¹ Department of PGDM, NIET Business School Gr. Noida, India.

² PHD Scholar, Mansarovar Global University, Sehore, Madhya Pradesh, India.

³ Department of Commerce, Mansarovar Global University, Sehore, Madhya Pradesh, India.

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Abstract

Political economy study, depict that how political factor affects the economic parameter and how the economy in turns shapes political structure of a country. Macroeconomic variable possess a significant impact on the national security .this article examine the various impact parameter of the political economy on national security and various intricate risk. In todays globalized scenario various macro – economic parameters have become pivotal in shaping national security threat.

The study focuses on India perspective and and analyses the impact of the economic determinant on national security .the finding indicates that, global expansion of trades , FDI and FII, Migration and remittances both positively and negatively influences the national security concerns, whereas growth in poverty , foreign aid, loans, social crises heightens the threat. The study further suggest that fostering strong economic condition, strengthening the export and foreign exchange reserve and a potential positive trends can mitigate the likely hood of the national security.

Keywords: Political Economy; National security; Macroeconomic factors; Indias perspective; Economic impact

1. Introduction

National security refers to the defense of the sovereign state, including its citizens, economy, and institution which is regarded as the duty of the government towards its people . it emerges from the concept of various security threat both internal and external that may undermine the stability and prosperity. It is one of the key components which ensure the stability of the economic sector such as finance, infrastructure, energy agriculture as well as maintaining the balance of trade and stable economic growth.

Thus on the study of various aspect of national security it is essential to understand the emerging impact of the political economy at the macroeconomic level towards the national economic risk. Political economy is one of the key driving factors which affect the economic growth, agenda and bilateral trade.

In today scenario national security is not only limited till the military affairs but also about political, economic, social and most important the environmental elements. The scope of national security in today's scenario expanded significantly due to its transformation into combination of conventional and non- conventional elements. In view of the wide range of risk the security of the national state has several dimensions that include economic security, physical security, environmental security, food security, and border and cyber security.

* Corresponding author: Vaibhav Prakash

During the past two decades national security concern of India has taken both conventional as well as the non – conventional threat factor ranging from the social conflicts, power balance, macro- economic consideration, FDI, FII financial market risk, bilateral trade and reserve deficit and migration .in this study national security is considered to be dependent variable and macroeconomic variable is considered to be independent variable.

1.1. Rise of political economy

Political economy in general means distribution of power. It highlights the role of capital in policy-making as well as politics. In urban areas, its main focus is on the relationship between the governments and the capital. It also offers a conceptual framework of political economy through identifying the foundational principles of it to understand how political economy can be used for the analysis of economic system.

Generally, political economy is a particular way to understand the social and political phenomena; and in this phenomenon, economics and politics are not seen as separate areas. The foundation of political economy involves: (a) the relationship between economics and politics and (b) the belief that this relationship can be understood in numerous ways. So while it is important to point out that the concept of political economy indicates the relationship between them, but there is no single meaning that can be attached to political economy. Political economy gives us a framework for analyzing economy which is broader than conventional.

Economics, in which market lies at the heart of it. It further studies how economic theories affect different socio-economic system such as socialism and communalism along with creation and implementation of the public policy.

The fact that the policy goal of having energy that is clean, secure, and affordable is known in Great Britain as the dilemma is some testament to the fact that the science of economics has not helped us sufficiently address the policy problem. Similarly the political economic framework has so far failed us. Mitchell (2008) states: “The constraints of the political paradigm are the central reason why the UK has been so poor in delivering a sustainable energy system.

Thus political economy is one of the most important aspects which regulate a country growth, political motive and economic sustainability. This all together has a hard imprint on the interdependent national security variables.

1.2. Micro and Macro – economic factors:

A macroeconomic factor is a phenomenon, pattern, or condition that emerges from and relate to the large aspect of the economy rather than to a particular population. Various macro – economic factors are listed below which has greater resemblance to the political economy as well as on the emerging threat to the national security.

- Inflation
- GDP
- National income
- Economic output
- Exchange rate
- Economic growth
- Political and legal stability
- austerity measures

The above mentioned economic parameter play a vital role in catering to the sustainable growth of a country, which further lead in deciding the key policy structuring and reforms . These aspects do poses huge impact on the country external as well as internal threat parameters. Political economy and national security encompasses those study that link the economic parameter, political frame work and securities studies. To understand the ethos of national security one must understand and include political economy. The intersection of the study has its deep root in the liberal economic view and the,

Relationship between the pursuit of the wealth and power. In the recent years the distinction has faded and subfield has grown to constitute major research agenda. The subfield includes various distinct aspects such as expending on defense industrial base, international trade, migration, rise and fall of major powers, economic sanctions. The subfield has also expanded to incorporate many other aspect of tax structure and redistribution of wealth, austerity measures and the increased financial globalization. Thus making it most needful to study and understand the various impact instituted by the political economy its constituent and paradigm on the national security threat.

2. Literature review

- Report of the United Nations High Commissioner for Human Rights on austerity measures and economic and social rights. Depict many emerging economic and social turmoil as a result the government measures. Also it studies the various impacts on the government security budget and its further complications.
- Norrin M. rips man: In his study in the context of US federal government he has studied various impacts of the rise of political economy and its subsequent threat to the US national economic security.
- Jean Marc F Blanchard: into the diversified study of the political economy. This paper has further studied about the economic statecraft, interdependence and international conflict.
- Martin C MC gure: Into his study in the International monetary fund he has extensively gone through a detail research of the security factor in the political economy of development.
- Alexander homolar: This research paper was a part of peace research institute Frankfurt. Designed by alexander homolar study the interference of international security and political economy. According to his research it has been considered to be the two side of the same coin.
- Ayesha siddiqua: This paper highlights high cost of the military security in Pakistan over past two decades being a single agenda of its policy maker to neutralize India emergence. It has always taken as a high priority than development expenditure. This has resulted in a strong socio- economic turmoil within the country.
- Lucia Retter, Erik Frinking, Stijn Hoorens, Alice Lynch, Fook Nederveen and William Phillip: In a context of globalization and further economic integration in recent decades, the relationship between the economy and national security has become increasingly interlinked. For the Netherlands, these connections represent both opportunities and potential threats for the country's national security.
- The open and interconnected nature of the Dutch economy creates vulnerabilities from potential internal and external threats. In recognition of this, economic security has emerged as an important strategic priority for the Dutch government, with the connection between economic security and broader national security subject to particular emphasis in the most recent National Security Strategy. Threats to vital economic processes' have been cited in the Integrated International Security Strategy.
- Mahmoud asgari: In this study article aims at processing the national security parameters from the political economy perspective and studies various dimensions of the theoretical relationship and objective interaction between the countries' national security policy and their economic capabilities. It also particularly tests the hypothesis that with the elevation of the status of political economy in the states' national security, attention can be paid to geopolitical analysis of national security along with realist or idealist analysis. Therefore, different aspects of such an analysis may be categorized as in the security role of current capital and security margin of indebted nations and the problem of investment, the impact of just distribution of revenues on social stability and security, change in the security and political treatment of regional and international contenders by rivals through economic and trade awards.
- Philip Keefer Development Research Group World Bank: This paper reviews progress made in understanding the effects of different dimensions of governance on economic development, and the sources of "good governance." The term governance has been used to embrace concepts that are heterogeneous both with respect to their effects on economic development and their genesis. Future progress in developing policy responses to "bad governance" will depend on separately examining these heterogeneous, elements – the security of property rights, the quality of bureaucratic performance, corruption, voice and accountability.
- Peter Dombrowski: In this study it is observed that in recent years, however, interest in the intersections between security affairs and international economics has once again increased among both academics researchers and policymakers. Developments in both scholarship and the world of public policy and politics have called into question Cold War tru-isms about the primacy of security over economics and, more generally, the analytic and practical separation of the two areas.
- Pantelis skilias: This research paper studies the political economy of nation and energy security. The aim of this collective volume is to study the crucial aspects related to the interconnection between the political economy of energy security and national security, which is of great importance globally, due to great volatility and complexity.

Several conceptual frameworks regarding the issue of energy security are examined in order to understand the relationships between relevant parameters and then to investigate their implications for national security. Research needs to examine how energy security affects national security of nation states around the world, either as producers or consumers of energy resources.

- Gap analysis: from the above mentioned literature review we came to a conclusion that in today’s global world scenario, India being a developing economy there exist a potential huge scope of study the intersection of political, economic and security aspect. Given below are the gaps which seem to be existed into India perspective:
 - Owing to the diversity in the nation there exist huge gaps which need to be assessed between political and economic intersection for better policy making.
 - Due to various geo-political situation impact of the economic component on the national security of the nation is a very critical issue, where a lot of gap is persistent, further study of these aspect will help to strongly formulate the political and economic policy in context with strengthening the national security and territorial integrity and soverginity of the nation.

2.1. Objective of the study

- The objective of the research is to examine and study the emergence and concept of political economy and its relationship with India national security.
- To study and understand the various dimension of the political economy and its component.
- To study and understand the impact of political economic parameter and its component on national security.

3. Research methodology

In the study and analysis of the above mentioned objective, this paper uses the critical political economic approach (CPE) to analyze the inter- reliability of political economy and national security. More over study of this paper majorly rely on the deep study and analysis of the secondary data. The study also encompasses through the analysis of the past historic data to supports it’s finding and observations.

3.1. Conceptualization of national security

The constitution of India has a very strong emphasis on the concept of the national security, unity and all aligning human security system. In order to provide more strongivity to the objective a national security policy was introduced which has proposed the constitution of the national Security Council.

The national security policy has embraced the principle and has addressed the hybrid security risk and challenges , but the interdepartmental coordination seem to be insufficient in context with the rise of the non-traditional economic security threat in the area of economics, technology, energy and tourism and its subsidiary . this research paper proposes a frame work for analyzing the political economic implication on national security.

Thus it is relevant to understand that economic parameter play a significant implication on the national security composition of our country. Where each parameter seems to be important.

3.2. Factors giving rise to the national security threats

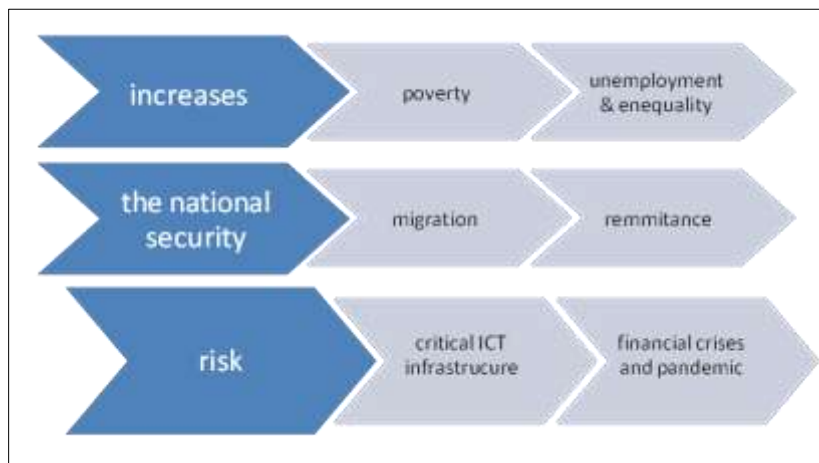


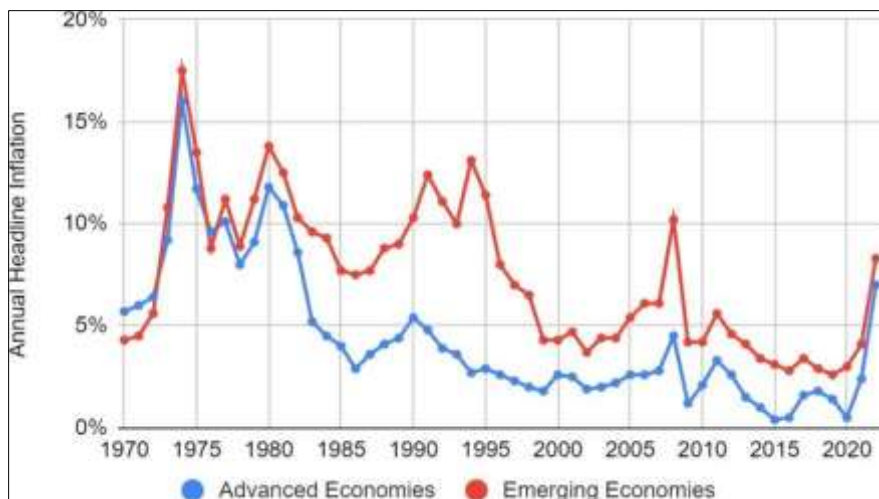
Figure 1 Conceptual framework of Factor which give rise to National security threat

3.3. Factors which decreases the national security threat



Figure 2 Conceptual framework of Factor which decreases the national security threat

3.4. Inflation rate of the two decades



Source: understanding inflation in India (NBER)

Figure 3 Inflation rate of last two decades of two economies

The word bank has provided a database of the inflation rate comparing the advanced economy and the emerging one of over past five decade. The big spike in all the countries in the early 1970 occur due to the global supply shock resulting from the serious short fall in there grain production. After 1980 advance economies in the word has saw a steady decline in the inflation, in contrast the inflation in the emerging economy has remained elevated until 1995. After 1995 the inflation in the two groups of the countries remains in tandem though the level in the emerging economies remains higher.

The rise in the level of inflation has created a strong negative socio- economic environment which has elevated to the risk and rise of the unemployment and poverty this has given a rise to the national security risk in the country owing to the fact that country expenditure on the direct security assessment has also go down to the greater extent. Also it create an economic burden which further open the gates for the long term debt which further causes a security threat to the country economy as well political structure.

3.5. Status of foreign aid and debt

- At end-September 2023, India’s external debt was placed at US\$ 635.3 billion, recording an increase of US\$ 6.4 billion over its level at end-June 2023.
 - The external debt to GDP ratio stood at 18.61 per cent as at end-September 2023, as against 18.58 per cent as at end-June 2023.
 - Valuation gains due to the appreciation of the US dollar vis-à-vis some major currencies, such as, Japanese Yen, Indian Rupee, Euro, UK Pound and SDR2 was placed at US\$ 4.5 billion. Excluding the valuation effect, the increase in external debt would have been US\$ 10.9 billion instead of US\$ 6.4 billion as at end-September 2023 over end-June 2023.
 - At end-September 2023, long-term debt (with an original maturity of above one year) was placed at US\$ 507.9 billion, recording an increase of US\$ 2.6 billion over its level at end-June 2023.
 - The share of short-term debt (with original maturity of up to one year) in total external debt increased marginally to 20.1 per cent as at end- September 2023 from 19.6 per cent at end-June 2023. Similarly, the ratio of short-term debt (original maturity) to foreign exchange reserves increased to 21.7 per cent at end-September 2023 from 20.8 per cent at end-June 2023
 - The US dollar denominated debt remained the largest component of India’s external debt with a share of 54.7 per cent at end-September 2023, followed by Indian Rupee (30.5 per cent), SDR (5.7 per cent), Japanese Yen (5.6 per cent), and Euro (2.9 per cent).
- The outstanding external debt of general Government as well as non- Government sector increased by 0.3 per cent and 1.2 per cent, respectively, as at end-September 2023 over the previous quarter.

All forms of assistance that a nation receives from other governments, multilateral organizations, and financial institutions to bridge apparent gaps— particularly in production, savings, and investments—are collectively referred to as foreign aid (Omotola and Saliu, 2009). The aid, whether in cash or kind, must be unconditional. They must be mobilized according to the requirements of the beneficiary country under the agreement reached in Paris and Accra in recent times. Multilateral and bilateral donors, on the other hand, are eager to be at the forefront. The disbursed loan potentially raises the question about their motivation.

The rise in the foreign external debt has a strong imprint on the political stability, foreign policy making and also majorly on the bilateral trade implication. Any unsubstantiated rise in the external debt will in turn strongly affect the national security as well its sovereignty. Which need to be checked evaluated periodically.

3.6. International Trade, finance and foreign direct investment:



Source: foreign direct investment India Budget

Figure 4 FDI inflows in India

India emerging growth and rise in international trade specifically in the aspect of export majorly driven through technology, food, metal handicraft and mineral has risen exponentially. Which create a strong international reserve, increased capital, government revenue through taxation and other sources? This factor in totality has boosted the aspect of the national security over the period of last one decade. Also it give a dimension to the political economy to diverse the parameter of political agenda owing to greater diversity in the economic domain.

India was the third largest recipient of Greenfield projects with 1,008 Greenfield project announcements as per the World Investment Report 2023. The number of international project finance deals in India also increased by 64%, making it the recipient of the second largest number of international project finance deals.

In 2022 (until August 2022) India received 811 Industrial Investment Proposals which were valued at US\$ 42.78 billion (Rs. 352,697 crore). Cumulatively, the total amount of Industrial investment proposals for 2022 increased to US\$ 298 billion (Rs. 23.6 lakh crore) as compared to US\$ 169.5 billion (Rs. 13.8 lakh core) in the previous year. he state that received the highest FDI equity inflow during October 2019- March 2024, was Maharashtra (US\$ 69.08 billion) at 29.68%, followed by Karnataka (US\$

51.03 billion) at 21.93%, Gujarat (US\$ 39.20 billion) 16.84%,

Delhi (US\$ 31.72 billion) 13.63%, and Tamil Nadu (US\$ 10.94 billion) 4.7% India has become an attractive destination for FDI in recent years, influenced by several factors which have boosted FDI. India ranked 40th in the World Competitive Index 2023 jumping 3 positions from the 43rd rank in 2021.

India was also named as the 48th most innovative country among the top 50 countries, securing 40th position out of 132 economies in the Global Innovation Index 2023. India rose from 81st position in 2015 to 40th position in 2023. These factors have boosted FDI investments in India.

In recent years, India has become an attractive destination for FDI because of favorable government policies. India has developed various schemes and policies that have helped boost India's FDI. These schemes have prompted India's FDI investment, especially in upcoming sectors such as defense manufacturing, real estate, and research and development. This aspect has strengthened the political economy as well the much positive impact on the national security threat. Our political economy has molded and shaped our national security risk to a comparative lower value creating a good social economic and sustainable environment.

3.7. Migration and remittance

Migration flow affects at least into three dimensions of national security, state capacity and autonomy, the balance of power and the nature of violent conflict. Overall the migration management present a far greater security challenges.

Here are many different reasons why migration occurs. Majorly it is associated with the push and the pull factor.

Labelling any issue a security threat has significant implications in terms of the laws, norms, policies, and procedures that become justified in response. In the migration context, for example, the label has been used to justify greater surveillance, detention, deportation and more restrictive policies. Such responses in turn can impact the migrants involved, for example, by denying asylum seekers access to safe countries, driving more migrants into the arms of migrant smugglers and human traffickers, and by contributing to a growing anti-immigrant tendency among the public, within the media, and in political debate in many countries.

3.8. Austerity measures its relevance and impact on the political economy and national security

Austerity measure is a set of economic policies, usually consisting of tax increases spending cuts or a combination of two used by the government to reduce the budget deficit.in principle it can be used at any time when there is a concern about government expenditure exceeding government revenue.

As such, austerity measures raise important concerns regarding the protection of economic, social and cultural rights, including with regard to the principles of non- retrogression, progressive realization, non-discrimination and minimum core obligations.

In addition to negatively impacting the realization of fundamental human rights, austerity measures have also failed to contribute to economic recovery. The International Labor Organization World of Work Report 2012 found that, in States which have pursued austerity, economic growth and employment rates have continued to deteriorate, thereby reducing

purchasing power and consumption. In other words, the recent imposition of austerity policies in response to the debt crisis has failed in its aim to promote economic growth and investment by reducing fiscal deficits.

In totality austerity measure has a very deep impact on the social and the fundamental rights and liberty of the citizen which in turns create a much unstable socio-political environment. These factors in furtherance create a long term economic turmoil resulting in poverty elevation, unemployment lack of monetary supply in the market. Also it possesses direct and indirect consequences on the national security of the country.

Furthermore the social consequences of the austerity measures further create and open the gate for the foreign debt which has its own consequences on the national security.

3.9. Country ICT infrastructure

The reliance of our societies on the digital infrastructure is growing, technology remain inherently vulnerable. The confidentiality integrity and the vulnerability and the availability of the ICT are heavily challenged by the rapidly evolving risk including electronic fraud, theft of the intellectual property. The impactful power of the ICT as a catalyst for the economic growth and social development are at a critical point where citizen and national trust in the use of ICT are being eroded by cyber security which is a potential threat to national security. Thus the technological advancement in the ICT infrastructure helps in rationalizing the economic aspect which in turn has huge impact on the national security

4. Conclusion

From the above study and a detail descriptive research it has fulfilled its objective and provided an advance understanding of the complex relationship between political economic structure its component and its implication on national security threat. From the above study we can effectively make our understanding about the entire economic factor which give rise to national security threat as discussed in the research majorly poverty, unemployment migration, remittance financial crises, foreign debt and critical ICT infrastructure. Also it enable us to understand the factor such financial trade, FDI, stronger currency, bilateral trade and international relation, and a stronger socio-economic environment.

Moreover we also able to derive various component of economics who drive the political structure and in turn take a shape of the political economy of a country this focuses on a sharp relationship between the economic factors and its subsequent political effect.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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