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# ECONOMIC SECURITY FACES CHALLENGES

For a considerable period of time, we lived under conditions in which we paid little heed to the state of our security in its various aspects: military, economic, social, or health-related.

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The “economic security” of a country can be defined as a situation in which its citizens are able, without much difficulty, to consistently enjoy conditions in which they can meet their needs. The concept can be viewed in various ways: in terms of micro-level (individual) and macro-level (national, regional) significance, in the shorter or longer term, as well as in a narrow and broad sense (whether we consider the satisfaction of only basic needs or a broader range).

The concept of economic security is important to both individuals and nations, as it is one of the factors contributing to national security. In addition, it is directly related to the term “economic prosperity,” which encompasses a variety of phenomena that influence people’s political opinions and choices. In addition, the threats to economic security that may occur are also taken into account, as well as the means to address them or instruments used to mitigate and safeguard against them. The most important aspects



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that determine economic security include the following: education, employment/unemployment levels, energy, sources of generation, costs, the environment (the extent of its pollution), health, human rights, income levels, leisure and rest, infrastructure, national security, public safety, shelters, etc.

We can approach economic security in the narrow sense of the term, which will include food (consumption and products), living conditions, income, and the ability of social and government organizations to meet the needs of individuals. In the context of national security, economic security should enable the attainment of the country's development goals – this has a direct bearing on national security, as it

can either support or hinder the maintenance and development of the defense potential that a country has at its disposal. In a broader sense, economic security takes into account the balance of trade with foreign countries, the level of investment, including the level of money transfers, public-private partnerships (cooperation between the government and the business sector), and education.

Economic security is one of the most important components of national security; however, any model of state security includes several additional activities and levels. Among the most important are the national security strategy (setting such strategy is, in Poland for instance, the responsibility of the President),





the process of establishing the state budget (the legal and institutional powers exercised by Parliament), and diplomacy in the military and non-military realms – including cooperation with the UN and military alliances, military strategy and industrial defense programs, and ensuring access to appropriate technology.

As can be seen, on the one hand, there is a strong connection between the economic situation in a country and its economic security – and, by extension, its national security. On the other hand, the capacity to form coalitions and engage in international cooperation facilitates guaranteeing economic and national security. This means that international cooperation reduces the need for self-sufficiency in security, which is both costly and unrealistic for individual states, especially small and medium-sized ones. In addition, international cooperation reduces the number of potential threats when it comes to economic and national security.

## Effects of the pandemic

In considering the issue of the security of Poland as a country, and of each individual Polish citizen, in the current conditions we can mention several factors that

have clearly contributed to reducing our sense of security in connection with the growing threats. These are of varying nature and sources. Listing them chronologically, we can start with the COVID-19 pandemic, which arrived in Europe in late 2019. In early 2020, European countries, including Poland, began to apply lockdown measures, restricting people from forming in larger gatherings, which in practice meant shutting down shopping malls, restaurants, cinemas, theaters and cancelling sports events. Subsequent measures taken as part of the policy to prevent the spread of the epidemic and curb the number of cases of the disease were grounded in law. Over the period of 14–20 March 2020, a state of epidemic emergency was in force in our country, from mid-March 2020 a sanitary cordon was introduced on Polish borders, which restricted border traffic. In the latter half of March, an epidemic state was introduced, and in mid-May it was transformed into an epidemic emergency. The pandemic had a direct and indirect impact on the security of Poles. By April 2023, more than 6.5 million cases of COVID-19 had been reported in Poland; people died in 120,000 of them, meaning that 2% of all cases ended tragically. Statistics, however, do not tell us what percentage of those who recovered from the disease continued to face significant long-term consequences or even subsequently died (estimates here are around 0.5%). The pandemic pointed out the bottlenecks in the Polish healthcare system – the limited number of beds in hospitals and the staff shortages that deprived people waiting in queues with other diseases of the chance to receive treatment.

The pandemic also had an indirect impact on Poland's economic security, significantly decreasing budget revenues (to take just the example of VAT revenues). We still do not have a fully clear picture of the pandemic's effects on state budget revenues and expenditures, as the budget was revised more than once, striving to adapt it to the changing conditions. For example, a balanced budget was initially assumed for 2020, with revenues and expenditures were planned at 435 billion zlotys. Revenues ultimately came in at 420 billion zlotys, while expenditures were 502 billion zlotys, resulting in a deficit of 85 billion zlotys. The financial report on budget implementation states that, compared to 2019, revenues increased by 4.8% in nominal terms, or 1.4% in real terms. This is the result of the pandemic, which undercut budget revenues while necessitating various intervention measures. The budget was also affected by the increased number of bankruptcies of companies that sank into debt during the lockdowns, starved for revenues. In the first quarter of 2020 alone, there were about 300 such bankruptcies, with the indebtedness of the bankrupt companies estimated at 50 million zlotys. In 2020–2022, 38% of Polish construction companies

Headquarters of the National  
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declared insolvency. In 2023, another 12% of bankruptcies in the industry are being forecast.

Restricted border traffic reduced the supply of essential goods, raw materials, semi-finished products or services. International supply chains that normally provided competitive prices for manufactured goods have become fragmented.

## Other sources of risks

The consequences of the COVID-19 pandemic on Poland's economic security were soon overlaid in the short term by the consequences of the war touched off by Russia's attack on Ukraine (24 February 2022). Its impact has also proved to be complex and multifaceted, including both direct consequences of the war (higher energy prices, the influx of refugees) and indirect consequences (the imposed sanctions, the support for Ukraine).

Since the war began, 11.523 million Ukrainians have come to Poland and 9.758 million have left the country. The on-balance significant influx of refugees from Ukraine entails certain effects on local budgets, as a result of support including food, housing, health, and education services, etc.

Western countries (the United States, the EU member states, Canada, the UK, Japan, Australia, New Zealand) had imposed the first sanctions on Russia in 2014 after the annexation of Crimea, and followed this up with subsequent packages after the 2002 military attack on Ukraine. Russia retaliated with its own measures. Both lead to shifts in import and export trade directions, which entail certain costs. This means that the imposition of sanctions has its costs for the countries that apply them, as well as consequences for the Russian economy (inflation, supply shortages, a decline in revenue to the budget, which is heavily dependent on revenues from energy exports). The decline in Russia's economic growth in April 2023 was estimated at 2.7 percent, the ruble exchange rate is weakening, the current account surplus in its balance of payments is decreasing. Certain import bans are being violated by countries in the Caucasus and Central Asia (Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan). Often Russian expatriates then re-export the goods or commodities, without being prevented from doing so. Such illegal practices were brought to light in the context of preparations for the G7 summit in May, at which the possibility of a total embargo on trade with Russia was probed.

Other developments threatening Poland's economic security include the impact of inflation, one of the highest rates in the region, as well as strained relations with its neighbors – the European Union and NATO.

The scale of the current, already diagnosed risks is very large, and in addition, it is difficult to see any symptoms suggesting that they will abate anytime



soon. There are certain signs of inflation rates declining, but the magnitude of the budget deficit and growing public debt do not inspire much optimism in this regard. This is particularly important in the context of the extreme passivity – if not to say ineptitude – of Poland's diplomacy and in the failures to apply appropriate internal solutions. This was evident, for example, in the case of the crisis caused by the seizure of grain and other agricultural products exported from Ukraine, which were meant to reach target markets in Africa but got stuck in the Polish warehouses.

## For the future

Poland is not a self-sufficient country; its development depends to a large extent on what is happening in the nearer and farther international environment and the relations with the countries there. Economic security can be easily undermined, both by certain internal regulations and by foreign relations. This is especially true when the aftermath of a *force majeure* – e.g. the COVID-19 pandemic – overlaps with that of other events that further compound these negative consequences. All this requires swift and effective action, and on several fronts at once: externally, in relations with neighbors and in cooperation with international structures that can help solve problems of the economy and economic security, but also internally, in decisions relating to the country's domestic policies. The Polish experience shows that an effective growth strategy requires financial support for education, scientific research, the health sector, modernization of energy sources, etc. ■