

## **The international political economy of security**

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**Abstract:** The term international political economy in the literature exists at least since 17<sup>th</sup> century and is connected to Adam Smith. In the 20<sup>th</sup> century the first academic definition of political economy was probably formulated by Robert Gilpin in 1975. Since that studies on international political economy flourished and presented different view of the phenomenon. Today the international political economy cover several areas including international security. International organisations such as the International Monetary Fund, World Bank or G-8 base on its statutory activity can influence regional and state security.

**Keywords:** international security, international political economy

### **Bezpieczeństwo międzynarodowe. Perspektywa ekonomii politycznej stosunków międzynarodowych**

**Abstrakt:** Ekonomia polityczna w literaturze jest obecna co najmniej od czasów Adama Smitha, jednakże pierwsza definicja międzynarodowej ekonomii politycznej została przedstawiona przez amerykańskiego naukowca Roberta Gilpina w 1975 r. Od momentu zdefiniowania zakresu zainteresowań międzynarodowej ekonomii politycznej stosunków międzynarodowych nastąpił rozwój literatury przedmiotu, który jednak w różny sposób ujmował zasadnicze kwestie wpływu państw narodowych na ład międzynarodowy. Współcześnie międzynarodowa ekonomia polityczna stosunków międzynarodowych obejmuje również studia nad bezpieczeństwem. Subdyscyplina wywodząca się ze stosunków międzynarodowych oprócz zagadnień stricte militarnych obejmuje kwestie związane z politycznym, społecznym, ekonomicznym i ekologicznym bezpieczeństwem państw. Organizacje międzynarodowe takie jak Międzynarodowy Fundusz Walutowy, Bank Światowy, czy G-8 poprzez swoją statutową działalność mogą oddziaływać na problemy bezpieczeństwa regionów i poszczególnych państw.

**Słowa kluczowe:** bezpieczeństwo międzynarodowe, międzynarodowa ekonomia polityczna

The International Political Economy (IPE) takes a long time to constitute in a sophisticated academic sphere. Visible contributions to development of IPE are founded in the work of eighteenth and nineteenth century economists such as Adam Smith, David Ricardo, John S. Mill and Karl Marks. The key problem these days was the laws of production and distribution, including the question of protectionism. The role of the government as the primary authority was among central ideas for discussion.

IPE as a social science discipline is dated from the beginning of 1970s and strongly be tied to historical context. The recovery of European and Japanese economies after the World War II, consequences of

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progressing decolonisation, echoes of Bandung Conference 1955 and pressures for New International Economic Order provoked an intellectual explanation of linkages between international economics and international relations. Growing vigorous debates that explored political and economic ties in governing the international system provided a platform for further development of IPE. The beginning of the 1970s, and the issues of 1960s, marked the interests of growing interdependence of national economies. The main theme was the ability of national governments to manage economic affairs. On the one hand, the breakdown of the Bretton Woods monetary order, rising protectionism, oil shocks and stagflation have dramatically changed the world economic order. On the other hand, progressing liberalisation of trade and finance opened a space for new interactions beyond those controlled by governments. Individuals and entities whose control of resources and channels of communication started to influence meaningfully political relations. This made an enormous impact on scholars to scientific explanation of changes in the world economy. Consequently, in such environment the first definitions of IPE grew.

### **1. International political economy – theoretical background**

The term political economy in the literature exists at least since 17<sup>th</sup> century. In the *Wealth of Nations* Adam Smith described the expression as “branch of the science of a statesman or legislator”<sup>1</sup>. For John Stuart Mill, the political economy “was the science that teaches a nation how to become rich”<sup>2</sup>. The first official aim of scientific explanation of the world economic affairs as an interplay of politics and economics was launched by Susan Strange, professor at the London School of Economics and Political Science in the International Relations Department. The scholar in 1971, at the Royal Institute of International Affairs at Chatham House, founded the International Political Economy Group. As a result, the first official team of scholars, journalists and policymakers were established.

In the 20<sup>th</sup> century the first academic definition of IPE was probably formulated by Robert Gilpin in 1975. The author argued that IPE is “reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power”<sup>3</sup>. Gilpin pointed out that

in the long run, however, shifts in economic efficiency and in the location of economic activity tend to undermine and transform the existing political system. This political transformation in turn gives rise to change in economic relations that reflect the interests of the politically ascendant state in the system<sup>4</sup>. In details, R. Gilpin distinguish three general and interrelated issues that pervade

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<sup>1</sup> R. Gilpin, *The evolution of political economy*, in: D.A. Andrews (eds.) *Governing the World's Money*, Ithaca, N.Y.; London, 2002, pp. 19–20.

<sup>2</sup> *Ibidem*, p. 20.

<sup>3</sup> R. Gilpin, *U.S. Power and the Multinational Corporation*, New York, 1975, p. 43.

<sup>4</sup> *Ibidem*.

the historic controversies [and they are] crucial to an understanding of contemporary problems in trade, finance, and monetary relations.

Among those selected are (i) economic and political causes and effects of the rise of a market economy, (ii) relationship between economic change and political change, and (iii) significance of a world market economy for domestic economies<sup>5</sup>. Another concept of the IPE was provided by David Blake and Robert Walters. The scholars assume that IPE is about government concerns, actions and policies resulting from interactions between and among national economies. Such a definition focuses purely on the economy and therefore for economic interstate relations on the governmental level. The political ties, in such assumption have been invisible. Similarly Roger Tooze supported the view and argued that IPE is generally about economics because international system is separated into economic and security spheres<sup>6</sup>. The next view of the IPE which was provided by Robert Keohane and Joseph Nye turned to the initial Gilpin's assumption. The authors explained the world affairs base on the concepts of interdependence and international policy regimes. Interdependence in world politics refers to "situation characterised by reciprocal effects among countries or among actors in different countries"<sup>7</sup>. According to R. Keohane and J. Nye interdependence are highly connected with international policy regimes. The formal definition of such regimes provided by Stephen Krasner is that "a regime is composed of sets of explicit or implicit principles, norms, rules, and decision-making procedures around which actor expectations converge in a given area of international relations"<sup>8</sup>. Such regimes refer relations among states, and other actors in the international system and its interests. Hence, by creating and/or accepting rules provided by governments, international institutions and non-governmental organisations, actors might share decision making processes and its outcomes<sup>9</sup>.

The end of the Cold War and the speed of internationalisation added new factors to the interests of the IPE. At the beginning of 1990s, when sovereignty was no longer the most important problem of the world politics, the space had been opened up for the emergence of international business. Transformation of the post-communist countries, as well as, industries in developed countries, launched changes in domestic and international

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<sup>5</sup> R. Gilpin, *The Nature of Political Economy*, in: C. R. Goddard (eds.) *International Political Economy. State-Market Relations in a Changing Global Order*, Colo., 2003, pp. 12–13.

<sup>6</sup> R. Tooze, *International political economy*, in: S. Smith (eds.) *International Relations: British and American Perspectives*, Oxford, 1985, pp. 108–125.

<sup>7</sup> R. Keohane and J. Nye, *Power and Interdependence : World Politics in Transition*, Mass, Boston 1977, p. 18.

<sup>8</sup> S. Krasner, (eds.) *International Regimes*, Cornell University Press, Ithaca, 1983, p. 2.

<sup>9</sup> Vide: R. Higgot, *Non-state Actors and Authority in the Global System*, London 2000, p. 33.

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economic policies. As a result, most domestic decisions in assistance of non-governmental agencies, actors and lobbies move to the international level. Consequently, the progressive liberalisation of economic policies during the 1990s, caused limitation of public authorities in most fields. Liberalisation in trade, less controlled flow of capital and labour movement, and privatisation of public utilities launched a new research area for the international political economy. The 1990s brought an evolution of the governance and the role of nation state. State by many observes was no longer view as the sole provider of governance functions. On the one hand, part of policy-making went through official bodies such as the United Nations (UN), Organisation for Economic Cooperation and Development (OECD), European Commission and the G8 group. On the other hand, most decisions have been made not in political cabinets but through unofficial forums such as the Trilateral Commission, and the World Economic Forum at Davos. Growing importance of private regulating bodies such as the Financial Stability Board, or organisations that act in spheres exclusively reserved for states (e.g.: private security companies) transformed governments' area of scope. The new society's beliefs and attitudes were recognised as prominent and influential among international actors. Consequently, the meaning and sources of power within states became transformed. International organisations, agencies and various non-state actors on different size and scope are among centre of debate. In such environment the IPE has been vigorously developing.

One of the definitions that portrayed the post-Cold War international system, based on the IPE views was provided by Susan Strange. The author pointed out that IPE "concerns the social, political and economic arrangements affecting the global systems of production, exchange, and distribution and the mix of values reflected therein"<sup>10</sup>. S. Strange sees the IPE fields as global rather than international. The scholar's original assumption includes not only social arrangements but also values as an important element of the IPE. Probably, the definition best describes contemporary concerns of the world affairs and is employed for further research.

The global view of IPE has been popular due to the influences of globalisation. Robert O' Brien and Marc Williams argued that IPE as an approach to the global political economy has to be understood in relation to changing historical context, including interdependence, declining American hegemony, and globalisation<sup>11</sup>. The authors argued that among several studies there are some questions for the IPE interest in a globalising world. Under consideration there has been the changing role

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<sup>10</sup> S. Strange, *States and Markets: An Introduction to International Political Economy*, New York, 1988, p. 18.

<sup>11</sup> Vide: R. O' Brien and M. Williams, *Global Political Economy, Evolution and Dynamics*, Basingstoke, 2010, p. 32.

of the state, regionalism, inequality and governance. Studies such as Jones Barry, Frans Buelens, and Simon Sweeney investigate processes that disrupt or enhance the state authority, legitimacy and autonomy. Helen Milner asked how domestic politics might be applied to contemporary understanding of international affairs. Regionalism as an important theme of the globalising world is debate in the light of the shift of authority from national to regional levels and its impact on intra and inter-regional affairs is under consideration. Authors that advocate global rather than international dimensions of political economy investigate themes that cannot be resolved between and among governments due to influences of globalisation. The issues cover the questions of state authority, legitimacy and autonomy, the legalization of international relations, the impact of regional groupings and the relationship between regionalism and globalisation, the role of non-state actors such as transnational corporations and social movements. However, despite the new assumptions and spheres of the IPE, the core meaning of the discipline is still the same. Following David Lake and Jeffery Frieden *the interplay of economics and politics in the world arena* provide the meaning of the IPE for years to come<sup>12</sup>.

In contrast to the consensus on definitions of IPE there is no singular IPE. In the literature there is distinction between British School and American School of IPE and *between the two is a deep divide*<sup>13</sup>. American School represents state centric view and first and foremost is about sovereign states and its relations. National governments are the core actors and public policy is the main concern of states. The American School believes in analysis directed to sources and implications of state behaviour. Interdependence in the world economy is interpreted as political rather than economic phenomenon. Consequently, IPE is view as political science task rather than international relations subdiscipline. The British School of IPE assumes that state is one of the actors that act in the international system. Susan Strange asked “who engages in politics, and of how and by whom power is exercised to influence outcomes<sup>14</sup>”? The presented point of view covered not only the power of states but also values. The scholar argued that IPE should be “about justice, as well as efficiency: about order and national identity and cohesion, even self-respect, as well as about cost and price<sup>15</sup>”. Similarly, Robert Cox, focused on the “structures that underlie the word” in the explanation of the word economic order. The scholar argues that the world economic changes are need to be seen in

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<sup>12</sup> J.A. Frieden and D. Lake, *International Political Economy: Perspectives on Global Power and Wealth*, Boston : 2000, p. 1.

<sup>13</sup> B. J. Cohen, *The transatlantic diVide: why are American and British IPE so different?* “*Review of International Political Economy*”, Vol. 14, No. 2, 2007, p. 198.

<sup>14</sup> S. Strange, *Wake Up, Krasner! The World has Changed*, “*Review of International Political Economy*”, Vol. 1, No. 2, 1994, p. 218.

<sup>15</sup> S. Strange, *Preface in: Paths to International Political Economy*, London 1984, p. X.

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their complexity. Among the most influential the author distinguished social forces and state–society interactions. Therefore R. Cox argued that state could not be analysed in isolation and outcomes in the world economy are depends on the response of social forces<sup>16</sup>.

## **2. International political economy of security – overview of interest**

International political economy and security studies up to mid–1990s have not been recognised as integrated. The post-World War II order and two blocks with little economic interaction divided interests of scholars. Political economists minimised their concern over security studies and politicians explored possibilities of war between two blocks rather than focused on economic affairs. The cold war determined actors (super-powers), narrowed issues of interests (security) and to neglected the concern of consequences of economic interactions among states and assistance of non–state actors in governance of the international system. Hence, the discipline of International Relations made a distinction between IPE and security studies. However, the 1990s transformed the international system and created new challenges for the world politics. Thus, for scholarship IPE and security studies have been new field of research, not essentially separated.

The standard dictionary definition of security defined the term as the *absence of threats*<sup>17</sup>. The world absence means both being safe from dangerous, as well as feeling safe. Traditionally security as a worldwide discipline was the core field of security studies and focused on the threat, use and control of military force. The classical assumption of military studies distinguished three principal ways in which economic forces are the source of wars. Among selected there are changes in relative economic growth, internal economic dislocation, and incompatible national economic strategies. Changes in relative economic growth might contribute to war according to scholars whose emphasised the importance of equilibrium in the international system. Under such conditions states are satisfied with the status quo. Because states tend to grow at different rates there is a natural way to move away from equilibrium in the international system. Consequently, state might pressure for confrontation to revise the status quo. Internal economic dislocation can contribute to conflict due to a consequence of hard times. In such situations governments might employ several military activities to divert attention away from domestic problems or to radicalise the government's aims in general. Incompatible national economic strategies, caused to war, often unintentionally, by unintended effects of economic policies. The example of the North Korea and tensions on the Korean Peninsula shall illustrate the problem.

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<sup>16</sup> R. W. Cox, *Social forces, states and world orders: Beyond international relations theory*, "Millennium", Vol. 10, No. 2, 1981, p. 147.

<sup>17</sup> M. Minkina, *Wywiad w państwie współczesnym*, Warszawa 2011, p. 6.

Traditional threats of security no longer take the prime position in political debates and world politics. Since the beginning of 1990s, the challenges to traditional security studies come from many directions. In fact, the movement to re-define security studies was introduced by Barry Buzan in 1983 and his book *People, State and Fear* and gradually has been continuing. The aim of the studies was to move security beyond traditional agenda that focus on military relations between states and wave all kinds of threats to the existence, development of individuals, social groups, nations and mankind<sup>18</sup>. The key development made by B. Buzan was to involve to security five sectors such as political, economic, societal, and ecological rather than narrow the concept to military threats. By the early 1990s Barry Buzan with Ole Wæver went beyond the state centric concept of security and sovereignty and developed the notion of societal security. Societal security focused on identity, defined as the ability of a society to maintain its traditional patterns of language, culture, religion, and customs. The concept of societal security went, hand in hand, with the United Nations standpoint. The organisation in the debate following the concept of United Nations Development Programme argued that the post Cold War international efforts should shift from nuclear security to human security. The UN' s authorities stated that *with the dark shadows of the cold war receding, one can now see that many conflicts are within nations rather than between nations. For most people, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event*<sup>19</sup>. The UNDP report outlines seven areas of human insecurity such as economic security, food security, health security, environmental security, personal security, community security and political security<sup>20</sup>. It also identifies six main threats to human security such as unchecked population growth, disparities in economic opportunities, migration pressures, environmental degradation, drug trafficking, and international terrorism<sup>21</sup>. Based on the societal security Ole Wæver developed the concept of securitisation<sup>22</sup>. According to Barry Buzan, Ole Wæver and Jaap de Wilde securitisation studies aim to gain an increasingly precise understanding of who securitises, on what issue (threats), from whom, why, with what results, and, not least under what conditions<sup>23</sup>. The concept of securitisation expands and has been applied to several issues and sectors. From the political economy point of view, when states,

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<sup>18</sup> J. Huysmans, *Revising Copenhagen*, "European Journal of International Relations", Vol. 4, 1998, p. 249.

<sup>19</sup> UNDP, *Human Development Report*, New York, 1994, p. 22.

<sup>20</sup> Ibidem, pp. 24–34.

<sup>21</sup> Ibidem, pp. 24–236.

<sup>22</sup> See: O. Wæver, *Securitization and Desecuritization*, in: Ronnie D. Lipschutz (eds.) *On Security*, New York 1995.

<sup>23</sup> B. Buzan (eds.) *Security: A New Framework for Analysis*, op. cit., p. 32.

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international organisations and non-governmental organisations bargain in order to pursue wealth and power there are two selected perspectives of post-Cold War security such as global and regional assumption.

Globalisation and its roots affecting challenges to redefine the role of state made an impact on the networks that involve different kinds of actors, at many levels. As David Held argued, the state has been off the centre stage of world politics<sup>24</sup>. This complicated the security agenda, reducing the possibility of control and influence to several processes. The core question is how globalisation influences securitisation of specific aspects such as financial flows, migration, trade and the actors in the international system. The traditional non-military areas of security focused *inter alia* on stability of the world economic order, pressures for global (Western) culture, language, and identities. The regionalist perspective recognised the level as the centre for both, conflict and cooperation. This is due to decline of superpower rivalry and domestic issues abate its influences in the rest of the world. The manifestation of the importance of regional affairs in the past century was portrayed by decolonisation and bipolarity. At the contemporary era regionalism are much more popular and facilitate solutions to problems that cannot be solved by a single country point of view. This benefited in an enormous literature on the phenomenon, its scope and consequences.

International peace is not exclusively the domain of political and military organisations such as the United Nations and the North Atlantic Treaty Organisation (NATO). The issue since the early 1990s has been under consideration of international organisations that primary not in the military field. Among selected there are not only the Bretton Woods institutions such as the IMF and the WB, but also the G7/8 and G-20.

Nowadays, the Bretton Woods institutions assume more prominent roles in conflict prone countries and regions around the world. Despite the effectiveness of their involvement that has been the subject of vigorous debate the institutions are now increasingly influences of armed conflict through the use of economic instruments. In fact, the international financial institutions (IFI), are not intended to have a direct role in security and military issues. The IMF's exclusionary clause, stated that IMF

shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members<sup>25</sup>.

The World Bank's exclusionary clause indicated that

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<sup>24</sup> D. Held (eds.) *Global transformations: politics, economics and culture*, Polity Press, Cambridge, UK, 1999, pp. 3-5.

<sup>25</sup> IMF, Articles of Agreement of the International Monetary Fund, Article IV, section 3(b), available at: <https://www.imf.org/external/pubs/ft/aa/>, accessed 06.05.2016.



the Bank and its officers shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member or members concerned<sup>26</sup>.

In practise, conflict and security issues are the inherent part of the IFIs analyses. Economic reforms and growth, and sustainable development require a stable political environment. The Cold War experience leads to the conclusion that military conflicts and military spending, beyond the 'proper' level, harm economic performance. This, in the case of the IMF implies that

excessive military spending imposes a burden on both the spending country and on the countries that believe their own security may be jeopardized by such expenditures<sup>27</sup>.

The practice of 'conditionality' as a general code of the international financial institutions organisations means that the IMF and the WB possess 'soft power' over assisted countries. In fact, according to statutory, the IMF and the WB, have not advised changes in military spending, although this might be an important part of the fiscal reform and serious economic efforts in the areas of fiscal policy and balance of payments<sup>28</sup>.

The Fund might deals with military expenditure as a financial matter with finance ministers, under the Article IV of the Articles of Agreement of the International Monetary Fund<sup>29</sup>. This article allows consultation with a member nation in which the Fund assesses and discusses that nation's compliance with IMF standards, and its credit needs. Then the Fund only indirectly, as part of an overall recommendation of fiscal factors, might make a case for a particular level of military expenditure, always in the overall context of other economic variables in a budget. As a rule, the specific use of terms such as military spending or defence expenditure are out of bounds in IMF public statements on lending programmes. The IMF's general view is an 'appropriate' level of military spending necessary for adequate defence promotion of social spending, public investment and long-term economic growth<sup>30</sup>. The World Bank can actively be involved in security issues based on Country Assistance Strategy (CAS). The Bank and its staff can in details assess countries economic situation. The investigation covers analysis of the public finance under public expenditure review. The Bank analyses a potential borrower's fiscal problems and

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<sup>26</sup>WB, IBRD Articles of Agreement, Article IV, section 10, available at: [http://siteresources.worldbank.org/EXTABOUTUS/Resources/IBRDArticlesOfAgreement\\_links.pdf](http://siteresources.worldbank.org/EXTABOUTUS/Resources/IBRDArticlesOfAgreement_links.pdf), accessed 06.05.2016.

<sup>27</sup> *International Monetary Fund, Fiscal Affairs Department*, "Unproductive Public Expenditures: A Pragmatic Approach to Policy Analysis", *Pamphlet Series*, No. 48, 1995, p. 22.

<sup>28</sup> See: S. C. Thacker, *The High Politics of IMF Lending*, "World Politics", Vol. 52, No. 1, 1999.

<sup>29</sup> IMF, *Articles of Agreement of the International Monetary Fund*, op. cit.

<sup>30</sup> T. Killick, (eds.) *Aid and the political economy of policy change*, London: Routledge, 1998, pp. 175–176.

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formulates a loan strategy. Topics might include analysis and estimation of revenue, composition and determinants of public spending (including military), inter and intra-sectoral analysis, public sector enterprise and functions of public institutions<sup>31</sup>.

The G-8 and its predecessor G-7 has played an evolving role in international peace and security since its inception in 1975. During the Cold War the Group coordinated Western economic strategy towards the Soviet Union, and introduced 'low politics' and issues such as drug trafficking and refugee flow. Since the 1990s the Group has been at the centre of global governance. The changing focus of its agenda to global issues, invitation of Russia to the club, development of contacts with the UN agencies, governments and NGOs made a new image of the forum.

The first inclusion to the G-7 agenda of security issues began in 1978 when in Bonn hijacking matter was discussed. Since then, systematic inclusion of international security issues has been a practise. Among selected there are proposition to expose the summit to strategic issues in 1981 and Statement Williamsburg, known as Declaration on Security accepted during the Williamsburg Summit in 1983. The Document for the first time officially demonstrated the G-7' interest in security<sup>32</sup>. Among others manifested (i) the necessity to maintain sufficient military strength to deter any attack, to counter any threat, and to ensure the peace, (ii) wish to achieve lower levels of arms through serious arms control negotiations, and (iii) commit ourselves to devote our full political resources to reducing the threat of war<sup>33</sup>. Terrorism was an important subject of the Tokyo Summit 1986 and since that there have been the expert group. In the 1990s further transformation of the summit has been made. The G-7 enlargement to G-8 by incorporation of Russia in 1998 legalised the Russian status gained since 1994. This opened a new charter of the group and clearly transformed it from an economic to political actor. The G7/8 involvement in security issues during the 1990s covered several aspects. Among those selected are the unquestionable role of the UN in security affairs, the problem of denuclearization of the Korean Peninsula, nuclear arms reduction, non-proliferation of mass destruction weapons, including chemical and biological weapons, transnational crime, situation in former Yugoslavia, terrorism, Nagorno – Karabah conflict, and trafficking in drugs. The security agenda during the 2000s and 2010s dealt with international terrorism, proliferation of weapons of mass destruction, Middle East peace process, the Sudan/Darfur problem, nuclear safety, the situation in Afghanistan and Pakistan, and peacekeeping operations.

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<sup>31</sup> Vide: D. Landau, *The economic impact of military expenditures*, "World Bank Policy Research Working Paper", No. WPS1138, 1993.

<sup>32</sup> G8, Information Centre, available at: <http://www.g8.utoronto.ca/summit/1983williamsburg/security.html>, accessed 06.05.2016.

<sup>33</sup> Ibidem.

Unexpectedly, the Ukrainian crisis opened discussion on the relevance of the military power in the 21<sup>st</sup> century and the status of Russia in the world politics. The political activity in the field of security made the forum one of the most influential, hand in hand with the UN and NATO. In fact, there are questions on the institutionalisation of the forum, and support of non-members for its politics.

The transformation of the security agenda not only made pressure for international actors to investigate the process, but also expose the classical interests of the political economy. Security can portray the problem throughout economic sanctions that are old age statecraft. Different externalities to the same problem among players become an important theme. According to James Barber *economic sanctions are economic measures directed to political objective*<sup>34</sup>. After years of criticism of ineffectiveness of sanctions, at the beginning of 21<sup>st</sup> century there are growing interests in such measure. Partially it is reaction to the limits of the US military power exposed during operations in Afghanistan and Iraq. On the other hand, human and financial costs of military confrontation more frequently limit the ability of operations at the expense of sanctions. In the literature the meaning of economic sanctions are often associated with economic statecraft, economic diplomacy, economic coercion and economic warfare. The practise of sanction strategies, from a political economy point of view, covers both the multilateral, ad hoc coalitions and unilateral decisions. The main them for the IPE of security is the question on the implementation of sanctions by actors. In details, there are investigations asking why countries used sanctions differently in response to the same crisis, and which factors conditioned the results of the sanctions. The Russian crisis would be the most actual example. In fact, the effectiveness of economic sanctions is a controversial, albeit the new concept of 'smart sanctions' grow. The smart sanctions are addressed to political elites and the purpose is to close off access to any goods out of the home country. The practise of smart sanctions includes travel sanctions and freeze of financial assets of political elites.

Promoting peace and security is not only a state centred domain. More frequently private security companies (PSCs) are involved in the sphere that for ages was exclusively reserved for states. The expansion of PSCs has increased with the end of the Cold War. This according to David Shearer is due to the following reasons: (i) reduction in government's military force, (ii) declining standards of armed forces, (iii) increasing number of civil wars and peacekeeping operations, and (iv) favourable home and international environment for grow of PSCs<sup>35</sup>. It is easy to

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<sup>34</sup> J. Barber, *Economic Sanctions as a Policy Instrument*, "International Affairs", No.55, Vol. 3, 1979, p. 367.

<sup>35</sup> D. Shearer, *The Expansion of Private Military Sector*, The Adelphi Series, International Institute for Strategic Studies, 1998, pp. 26–35.

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distinguish tasks performed by PSCs, although differentiating it from other private actors is not an easy task. The difficulties deal with the assessment of the legal framework of the PSC's among other private actors. Most scholars argue that there is an important gap in the governance level. The existing law regarded the PSCs as rudimentary, deficient and containing significant gaps. It mainly deals with mercenaries and international humanitarian law. This, for the PSC's operations is favourable, although for other actors not necessarily. The first and most important is a control of private military force. There are not only questions on political control, offensive vis-a-vis defensive position, but also on civil – military relations, human rights, and protection of civilians in warfare. An absence of clarity of PSC's operations introduces confused situations for civilians, regular soldiers and provides incentives for illegal competitors. Often, there is a lack of clarity that PSCs have legitimacy for an operation or have not. The lack of clear status of PSCs such as combat or non-combat confuse the mission of the corporations and to deform information delivered to peacekeeping international organisations.

### **3. Conclusions**

International political economy as a social science discipline make an impact on the perception of international trade, foreign direct investment, finance and security. States and non-state actors are an active on the international platform and aim to participate in sectoral governance. Trade, financial regulations and foreign direct investment are under the state and non-state tandem, on different extent and scale. Security is still the state-centred domain, although private security companies are arising player. State by many observes was no longer view as the sole provider of governance functions. On the one hand, part of policy-making went through official bodies, on the other hand, most decisions have been made not in political cabinets but through unofficial forums such. Growing importance of international organizations, private regulating bodies or organisations that act in spheres exclusively reserved for states (e.g.: private security companies) transformed governments' area of scope. Consequently, the meaning and sources of power within states became transformed. International organisations, agencies and various non-state actors on different size and scope are among centre of debate. In such environment the IPE of security has been developing.

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