The Linkage of Good Governance in Economic Security: An Overview

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ABSTRACT

This paper scrutinize the linkage of good governance in economic security. Globalisation era led to boarder less world. Thus security of a country threatened not only in military aspect but other than that such as economic security. In achieving the status of the economic security of the country should be based on the knowledge of management, economics, international relations and other important sources of knowledge. In order to understand the sources of success to ensure economic security must understand the configuration of unique resources and skills within state structures according to different social, political and economic stakeholder interests. Thus, every country must implement good governance in their administration to reduce the risk of threatened economic security.

INTRODUCTION

Economy is a part of national success. National security can be understood as an area of expertise that not only explains the operation of the mechanisms governing the provision of law, order, stability, human societies, accompanying concepts, methods and forms of action. Economic security comes out after globalization. It also explain the art and science of effective measures to create economic prosperity. According to Gunter and Hoeven [10] describe globalization as the gradual integration of economies and societies driven by new technologies, new economic relationships and the national and international policies of a wide range of actors, including governments, international organizations, business labour and civil society. This implies that there are several drivers of globalization as identified in the definition above. Economy should be manage cleverly without bias. From the globalization, industrialized nations have therefore taken advantages of trade liberalization thereby seeking market to dump their cheap manufactured goods and rendering the local industries inefficient leading to slow growth rate, low capacity utilization and low output of the local industries as the demand for goods produced in the country decline due to cheap imported goods and high cost of production faced by the industries [21]. This threatened economic security in a country. In achieving the status of the economic security of the country should be based on the knowledge of management, economics, international relations and other important sources of knowledge. Good governance may have moderated the adverse influence of the financial crisis on financial performance [25]. The evolution of the corporate governance practices depends on the context and circumstances and consequently they need to be tailored to meet the specific needs [1].

Governance:

According to Canadian Institute On Governance [13] governance is a dynamic interaction involving structures, functions (responsibilities), processes (practices) and organizational traditions that the board of an organization uses to accomplish the organizing mission. Governance refers to the rules, incentives, institutions and philosophies for coordinating, controlling and supervising behaviour [28]. Governance is the exercise of economic, political and administrative authorities to manage a country’s affairs at all levels and it comprises

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mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences [4]. The concept of governance is not synonymous with the one of government [8]. In summary, the concept of governance has been aptly described as a “mystery” because there is “little we actually know about how we are governed” and “so much about global society itself eludes our grasp”[15].

**Good Governance:**

The concept of good governance can be broadly defined as the mode or model of governance that leads to the social and economic results sought by citizens or as the achievement of desired results consistent with the normative values of democracy and social justice [14]. Good governance attributes such as constitutional legitimacy, administrative competence, public participation and accountability may conflict with one another while excessive emphasis on some attributes over others may lead to adverse results [29]. Good governance is defined as the processes and structures that guide political and socio-economic relationships [4]. Good governance requires and depends on a comprehensive set of values and norms or principles. According to the United Nations (UN), good governance has the following six characteristics or values which is participation, decency, transparency, accountability, fairness, and efficiency [30]. In other words, good governance is important in every administration.

**Economic Security:**

Economic security is one of threat to a country according to the theory of securitization. Economic security is also known as one of the non-traditional security. Tradition security is known as military aspect which is threatened the security of the country. Conversely, the non-traditional security is security of a country threatened other than military aspect. Economic issue becomes a security issue not necessarily because a real threat exists, but because the issue is presented as such a threat. Securitization embraces a wide range of security perspectives such as human security, economic security, environmental security and resource security such as food and water security [2]. A country potential to be a world power if their economy is good. Currently there are following levels of economic security: international (global and regional), national, local (regional or sectoral) and private (business and personal). International economic security is a set of conditions under which each state. A member of the international community is provided with assured protection of national interests, harmonious and social direction of the country in general, sufficient economic and defense potential. At the country level to ensure security include military, social, political, economic, information, and other areas. Allocation of the economic sphere due to its impact on all spheres of life is supported by the state [24]. The economic security of the person is characterized by a state in which the terms are guaranteed to protect vital interests by a system of social development and social security [22]. Economic security is not absolute because the social division of labor makes enterprise interdependent of each other[19].

**Good Governance In Economic Security:**

According to Kings Report[16] the power of leadership in connection with the governance of a corporation, and described it as being about efficiency, probity, responsibility, transparency and accountability. Economic security of a country will threaten if there are no good governance in their administration through leader of a country. Leaders are required to behave ethically, thus commitment from ethical leadership is essential [23]. Although a country have huge amount of resources but if there are no good governance, the resources will become useless in term of developing the country. Lack of good governance will led to waste of resources. Leader of the country who lack of good governance will use the resources to increase their wealth or buy something precious to them but useless to the country. Ethical practices depend on leaders who lead with transparency and set a good example at all levels of governance [20]. Lack of awareness of the government to implemented accountability and transparency in government as well as the proliferation of legal cases causing the manipulation of accounting data in a government agency. One of the things that can realize good corporate governance is seen from the performance of any organization of government activities, good performance in terms of achieving policy objectives, regulations and applicable law, the achievement of performance in an efficient, effective, and economical, as well as the compatibility between the performance achieved with established criterial[26]. A good government should run the government openly so that all interested parties in the government can actively participated in the state administration. State administration should also be conducted in a transparent and implementation of the government must be accountable. Accountability and transparency in government is still in early stages of the emergence of awareness of the importance of accountability, but this needs to be appreciated as a form of progress in order to create a clean and authoritative government [25].

In order to understand the sources of success to ensure economic security must understand the configuration of unique resources and skills within state structures according to different social, political and economic
stakeholder interests [11]. In other words, to manage a country, leaders must have multiple unique resources and skills within the state and practice good governance.

Implication Of Good Governance In Economy:

However, an economic system in a country will become threat if leader misuse the source of economy. The threat in terms of colonization by other country or become puppet to country which greater than them. Forms of economic security are changeable, depending on the level of social evolution in time, its aspirations, social and political solutions used, and finally the ability to adapt and implement changes [11]. In other perspective, good governance can enhance foreign direct investment (FDI) to the country. Good governance affects the direction of Foreign Direct Investment and the entry-mode decision of multinational enterprises [6]. Investor interested to invest something that can benefit to them. It does not matter if it a long term benefit to them as long as they know their investment are safe to them. Moreover in good governance practice, it does not have term such as misuse the capital. FDI usually depends on the political circumstance in a country. Investor usually investigate political circumstance in a country before invest in it. In other words, politic and governance interconnected.

Lack of good governance will led to the widespread of capitalism. Capitalism as a social system that produce not only growth but also inequality, not only dynamism but also dehumanization[17]. Capitalism will make existance of different class in society where the rich become richer and poor become poorer. Consistent with the varieties of capitalism argument that there is no single best model in governance [12]. Good governance will make capitalism hindered in society. Even though capitalism not threatened economic security very much but it threaten to other security such as societal security and environmental security indirectly.

The example for successful economy country is China. It became the second most powerful country after US. Based on several decade before, China not been recognized as powerful country even among the top ten list. However, after the globalisation era and the collapsed of Soviet Union, China step by step opened the eyes of the world in becoming among several powerful countries. Fiscal resources are not crucial for winning wars, the threat of external conflict stifles state building [7]. Figure 1 showed how China’s government spend in 2014. According to the Ministry of Finance of the People’s Republic of China the figure showed that the government spend more on education. It is mean that the government want to apply their good governance since early education. It because children nowadays will become leaders tomorrow.

China be able to become among the powerful countries because their capabilities in military strength and administration. The Chinese government decides on the size of defence expenditure in an appropriate way, and takes a road of national defence and armed forces modernization featuring lower cost and higher efficiency. China has accordingly increased the boarding subsidies and other funds closely related to servicemen’s life as well as the expenses on education, training, petroleum, oils and lubricants for the armed forces, and improved the working and living conditions of border and coastal defence forces, units in remote and tough areas, and grass-roots units[18]. China have imported several weapon to increase their capabilities in military. Besides that, China also can produce weaponry itself in order to cut the budget or prevent other countries to read the weakness through the weapon made by other countries. They be able to produce weapon because they have enough resources. This China’s strategy can conclude as the basic thing is the most important. The basic thing is good governance. China imposed long term jailed sentence to anyone who commit in white collar crime such as bribery. This showed the effort of China’s government to make their country free from corruption. The punishment will make people afraid to commit in corruption. The country implemented good governance in their administration.

The country that show failure in their administration is several Gulf countries. The Arab states of the Persian Gulf are the seven Arab states which border the Persian Gulf, namely Kuwait, Bahrain, Iraq, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). All of these nations except Iraq are part of the Cooperation Council for the Arab States of the Gulf [29]. Most of the gulf countries acknowledge by their wealth. They have many natural resources such as petroleum. It is clear, however, that the Arab Gulf states can
benefit from a vastly greater pool of resources than is apparent from either a comparison of their national defence spending or their arms imports[3]. However those countries cannot be among the superpower countries in the world. Figure 2 showed that the New Arm order gap between Gulf countries and several superpower countries from 2008 until 2011. The gap compared Gulf countries new arm order with developed countries. The figure showed that most of the Gulf countries left behind in achieve equal in military capabilities with several superpower countries. From the figure it showed in the military aspect. It has several reason why gulf countries cannot be one of the superpower countries. One of the reason is they lack of good governance in their administration. Mostly the lifestyle of top leaders in Gulf countries showed that they can buy anything. Unfortunately, they do not know how to spend wisely. They should spend to something that can benefit to them. Defence expenditures have both costs and benefits to the economy [31]. They can improve their military capabilities or help others in need.

**Fig. 2:**

Nowadays, the world blaming them because they do not want to help their neighbour’s countries, Palestine. However there are assumption that the Gulf countries might be allies to Palestine enemy might be possible. But allies can both deter challengers and restrain partners, and as a result, can encourage peaceful behaviour not only from adversaries, but from member states as well [4]. Even though the Gulf countries might be allies to Palestine’s enemy but they cannot encourage peaceful behaviour to their allies.

**Conclusion:**

Good governance is important in every administrative especially economy perspective. Most developed and developing countries have encountered exchange rate crises, capital market crises and financial recessions in last few decades. This means that their economic security is threatened. One of the causes is lack of good governance. Many resources did not guarantee the country become the developed countries. Economy is Thus, every country must implement good governance in their administration to reduce the risk of threatened economic security.

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