

Ways to Improve the Legal Regulation of Economic Security

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Abstract

The main goal of our study is to analyze the current state of Mongolia's economic security and to identify ways to improve its legal regulation, based on the theoretical and methodological foundations of economic security and the experiences of certain countries that ensure their economic security through legal regulation.

Our study try to examine the foundational theories and methodologies that define economic security, while also learning from the experiences of other countries that have effectively used legal frameworks to safeguard their economies. Such a study provides a systematic evaluation of Mongolia's current economic security status, considering its unique social, political, and economic context.

We tried to included assessing existing laws, policies, and institutional arrangements to determine their strengths and weaknesses. Furthermore, improving legal regulation supports broader economic resilience by creating a stable environment for investment, trade, and public confidence.

1. Introduction

In the context of Mongolia, Article 3.2 of the National Security Concept defines the fundamental condition for ensuring economic security as "achieving self-sufficient economic development and creating a sustainable development model that is environmentally friendly and provides safe and peaceful living conditions for people."

Specifically, "ensuring economic security and developing a sound, stable, and disciplined financial sector that supports long-term growth and development" is defined as the main principle and direction of state policy for ensuring security in the budget and financial sectors. In line with this, the Law on Fiscal Stability was adopted in 2010, which stipulates that the budget deficit should not exceed two percent of GDP.

However, errors in budgeting revenue and GDP growth planning, as well as off-budget expenditures made through the Bank of Mongolia, the Development Bank, and others, along with budget policies that followed cyclical trends, have created risks in financing the deficit. Additionally, Mongolia has developed

numerous policies such as establishing various budget and financial regulations, creating a wealth fund, and distributing wealth revenues to citizens in the form of cash payments. Laws such as the Law on Fiscal Stability, the Law on Transparency of Accounts, the Law on the Future Heritage Fund, and the Law on State Audit have been enacted to set rules aimed at ensuring fiscal stability.

Despite these efforts, in reality, the government has failed to fully comply with these budgetary rules. As a result, influenced by both external and internal factors, budget revenues have declined, foreign debt repayments have become unsustainable, and the country has been unable to maintain stable domestic economic growth. This situation represents a significant challenge to Mongolia's economic security.

From this, it is evident that ensuring economic security and fostering a healthy, stable, and disciplined financial sector to support long-term growth cannot be achieved solely through budgetary and financial sector policies and systems. There is a high risk that these systems and policies can be easily changed according to the will

and determination of decision-makers, leading to instability.

Our study limits its focus to the budgetary and financial legal regulations that ensure Mongolia's economic security. Based on widely recognized theoretical and practical sources, as well as domestic and international experiences and data, it examines the legal framework for securing Mongolia's budgetary and financial security within the broader context of economic security. The research is conducted at the doctoral level at the intersection of security and legal sciences, aiming to develop specific proposals and recommendations for improvement.

The issue of improving the legal regulation, which is a methodological component of ensuring economic security, has been studied within the framework of the economic theory of the Constitution and the theoretical-methodological aspects of ensuring economic security, by defining rules to enhance the effectiveness of national economic policy and stabilize budgetary and financial discipline.

2. Theoretical Framework of Economic Security

The theoretical framework of economic security encompasses various perspectives and approaches that define and explain how economic security is understood, maintained, and regulated within a country. Drawing from the literature and scholarly research, key elements of our framework include:

2.1. Definition of Economic Security

Economic security is broadly defined as the condition where a nation's economy is resilient, stable, and capable of protecting its vital interests against internal and external threats. It involves safeguarding national survival, sovereign independence, economic prosperity, and social stability. This protection includes ensuring sustainable economic growth, preventing poverty and unemployment, and mitigating risks such as economic shocks, corruption, and disruptions in critical supply chains.

Multidisciplinary foundations of theory framework integrates theories from economics, systems theory, disaster theory, conflict theory, synergy theory, and risk theory. Economics provides the basis for organizing economic security by creating a secure environment for internal and external economic relations. Systems theory addresses the structural and functional organization of economic security. Disaster and conflict theories help identify vulnerabilities and threats, while synergy and risk theories focus on enterprise behavior under hazards and methods for risk diagnosis and management.

- *Economics theory* provides the foundational basis for understanding economic security by focusing on the organization and stability of economic systems. It emphasizes creating a secure environment for both internal and external economic relations, ensuring sustainable growth, resource allocation, and resilience against economic shocks. Economic security, from this perspective, involves maintaining steady economic development, preventing poverty and

unemployment, and safeguarding competitiveness. It addresses how economic policies and market mechanisms contribute to the overall stability and security of a nation or enterprise.

- *Systems theory* views economic security as a complex, organized system composed of interconnected components. It focuses on the structural and functional organization of economic security, analyzing how different parts of the economic system interact to maintain stability and functionality. This theory helps identify the relationships between various economic sectors, institutions, and policies, ensuring that the system operates cohesively to resist disruptions. It also supports understanding feedback loops, adaptability, and the dynamic nature of economic security as a system that must respond to changing internal and external conditions.
- *Conflict theory* examines the sources of threats, dangers, and risks that arise from social and biological aspects of the workforce and society. It highlights how internal conflicts, competition, and power struggles can undermine economic security. This theory is useful for analyzing risks related to labor disputes, social unrest, corruption, and other conflicts that affect economic stability. Understanding these social dynamics is crucial for designing policies that promote social cohesion, reduce tensions, and protect economic interests.
- *Synergy theory* focused on the behavior of enterprises or economic entities under conditions of internal or external hazards and risks. It studies how different elements within an organization or system interact to produce effects greater than the sum of their parts, especially during times of imbalance or crisis. This theory explains mechanisms of adaptation, development, and transformation in response to threats, emphasizing the importance of coordinated actions and resource integration to maintain or restore economic security.
- *Risk theory* provided the methodological tools for diagnosing, forecasting, preventing, and managing risks that threaten economic security. It equips the economic security system with instruments to identify potential hazards, assess their likelihood and impact, and implement measures to reduce negative consequences. This theory supports proactive risk management, enabling enterprises and governments to anticipate challenges and build resilience through informed decision-making and strategic planning.
- The integration of these theories forms a comprehensive framework for economic security. Economics sets the foundation for understanding economic stability and growth; systems theory organizes the structural complexity; disaster and conflict theories identify vulnerabilities and threats; synergy theory explains adaptive behavior under risk; and risk theory offers practical tools for managing uncertainties. Together, they enable a holistic approach to safeguarding economic security at both micro (enterprise) and macro (national) levels.
- Political and legal dimensions of economic security is also studied as a political and legal institution. It includes analyzing legal norms, regulations, and state policies that

form the mechanisms to implement economic security. The framework considers how laws and institutional actors contribute to defending the state's economic interests and ensuring sustainable socio-economic development.

National and international perspectives different countries conceptualize economic security based on their historical, political, and economic contexts. For example, post-Soviet states emphasize national interests and security, while developed countries focus on sustainability and resilience. Globalization has expanded the concept to include international economic relations, supply chain security, and diplomatic efforts to maintain a free and open economic system.

Practical applications of the framework guides the development of policies and strategies to enhance economic security, such as fiscal discipline, financial sector stability, wealth management, and crisis prevention. It also supports the creation of indicators and indices to monitor economic security status and effectiveness of interventions.

The theoretical framework of economic security is a comprehensive, interdisciplinary construct that combines economic, legal, political, and systemic approaches to understand and ensure the stability, resilience, and sustainable development of a nation's economy in the face of diverse risks and challenges.

We concluded that Economic theory provided the foundation by focusing on creating a secure environment for economic activities, both internally and externally. It emphasizes sustainable growth, market stability, resource allocation, and protection against economic shocks. Economic security ensures that the economy can maintain operational excellence and market sustainability, which are critical for a country's long-term prosperity and competitiveness.

Economic security is also framed as a political and legal institution that protects the interests of the state and its economic actors. Legal regulations, policies, and institutional mechanisms form the backbone of economic security by establishing rules, norms, and enforcement structures that safeguard economic stability and prevent unauthorized interference.

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3. Comparisons of Scholars' Framework Economic Security and Legal Regulation of Economic Security

3.1. Economic Security

Below is an explanation of the contributions made by each of the referenced scholars to the field of economic security, particularly regarding its legal and institutional foundations as a political and legal institution.

Gerasimov (2000), developed a comprehensive framework for understanding economic security as a core element of statehood. He emphasized the importance of legal and institutional mechanisms in safeguarding the economic interests of the state. His work analyzed the regulatory and legislative foundations necessary for economic security, highlighting the need for a robust legal system to protect against both internal and external threats. Gerasimov's approach integrates economic security into the broader context of national security, focusing on the interplay between legal norms and state policy.

Loginov and colleagues (2000), addressed the practical and theoretical challenges in providing legal and economic support for economic security. Their research focused on the development and implementation of legal norms and institutional structures that underpin economic security. They examined the effectiveness of existing legislation and proposed improvements to enhance the resilience of economic systems. Their work is notable for its integrative methodology, combining legal analysis with economic theory to propose concrete policy recommendations.

Tropin and Kazak (2004), explored the role of state administration and law enforcement in reinforcing economic security. They analyzed how legal regulation and effective governance in the law enforcement sector contribute to the prevention of economic crimes and the protection of economic interests. Their research highlighted the significance of institutional reforms and the development of mechanisms to counteract destructive phenomena in the economic sphere, emphasizing the need for coordinated state action and legal oversight.

Samarin (1995), provided a historical perspective on the evolution of security concepts in Russia, with a particular focus on economic security. He examined how reforms and changes in the legal and institutional landscape have shaped the country's approach to

economic security. Samarin's analysis underscored the importance of adapting legal frameworks to address emerging threats and the dynamic nature of economic risks, situating economic security within the broader context of national and global security challenges.

Shubert (1999), centered on the regulatory and legal aspects of security, including economic security. He analyzed the structure and effectiveness of legal regulations designed to protect economic interests, focusing on the development of legal norms and the role of regulatory bodies. Shubert contributed to the understanding of how legal institutions can be structured to provide comprehensive protection against economic threats, emphasizing the need for continuous legal development and adaptation.

Buzan et al. (1998), known for their work on security studies, including the conceptualization of economic security within broader security frameworks of research on economic security indices, supply chain risks, and international political economy, integrating data science and methodology to assess economic security status of countries. Also he emphasized that legal regulation of economic security is a multifaceted and dynamic field involving constitutional law, administrative law, criminal law, financial regulation, and international legal norms. Their work underscores the importance of a strong, adaptive legal framework to safeguard economic stability and national interests.

3.2. Legal Regulation of Economic Security

Several scholars and legal experts have studied the legal regulation of economic security, focusing on how laws, policies, and institutional frameworks protect economic interests at various levels.

T.E. Shubert (1999), analyzed the regulatory and legal frameworks related to security issues in Russia, emphasizing that economic security is regulated through a system of legal measures that protect individuals, society, and the state from internal and external threats. His work highlights the development of federal constitutional laws and federal laws that form the regulatory basis for economic security as a political and legal institution.

S.A. Tropin and B.B. Kazak (2004), studied the role of state administration and law enforcement in strengthening economic security, focusing on how legal regulation and governance mechanisms help prevent economic crimes and protect economic interests.

La Porta, Lopez-de-Silanes, Shleifer, and Vishny (2019), explored how legal institutions, including property law, commercial law, and investor protection laws, affect economic development and security by limiting expropriation and promoting financial stability.

4. The Comparison of Asian Countries Economic Security and Legal Regulation of Economic Security

The comparison of economic security and its legal regulation among Asian countries reveals diverse approaches shaped by economic structures, geopolitical contexts, and institutional frameworks. Here is a synthesis based on the available research and data:

According to the International Labour Organization (ILO), South and South-East Asia as a region have a higher share of economic security relative to their share of global income. This is largely influenced by the rapid economic growth and relative stability in mega-economies like China and India, which have experienced declining economic instability during globalization. Other countries in the region have had slower growth but have not seen significant increases in economic instability, even after crises like the 1997-98 Asian financial crisis. The economic structures of ASEAN countries vary, with agriculture, industry, and services contributing differently to GDP. For example, Singapore has a dominant services sector, while countries like Cambodia and Myanmar have larger agricultural shares.

Legal regulation in Asian countries is often intertwined with national security policies, reflecting the blurred boundaries between economic and security concerns in the region. For instance, ASEAN countries traditionally separate economic and security agendas, focusing on regional resilience and hedging strategies to balance relations with major powers like China and the US. ASEAN emphasizes maintaining economic growth without letting security tensions disrupt development.

In contrast, countries like South Korea have adopted a more integrated approach, recognizing the intersection of economic and security issues explicitly in their strategic outlook. South Korea's emphasis on "economic security" includes safeguarding supply chains and critical technologies, reflecting concerns about geopolitical risks and economic dependencies.

Japan and South Korea face particular challenges in regulating economic security in sectors like advanced technology, where exports have both economic and defense implications. Japan has taken a more securitized approach to trade controls, balancing economic interdependence with China and security concerns.

The Indo-Pacific region's economic security dynamics are heavily influenced by great power competition, especially between China and the US. This competition shapes how countries regulate economic security, with some advocating for inclusive regional cooperation (ASEAN) and others favoring more exclusive, strategic alignments (South Korea). Asian countries face the challenge of balancing economic growth with security imperatives, requiring adaptive legal frameworks that can address risks such as supply chain disruptions, technology transfers, and foreign investment controls (table 01).

Country/Region	Economic Security Focus	Legal Regulation Characteristics
China & India	Rapid growth, declining instability	Strong state control, evolving regulatory frameworks
ASEAN	Regional resilience, economic-security separation	Hedging strategies, cooperative but cautious legal frameworks
South Korea	Integrated economic-security approach, supply chain focus	Strategic legal measures on technology and trade
Japan	Securitized trade policies, advanced tech sector focus	Export controls, balancing economic interdependence
<i>Noted: The results of study</i>		

Table 01: The comparison Asian countries economic security and legal regulation of economic security

We studied regulation of budgetary and financial relations by the constitutions of some countries. (table 02).

Country	Constitutional or Legal Regulation of Budget and Finance	Year the country's Constitution was adopted	The number of chapters	Name of chapter	Item clause number
Germany	The Basic Law (Grundgesetz) includes provisions on budgetary discipline, financial relations between the Federation and Länder, and fiscal stability.	1949	10	Finance	104a-115
Japan	The Constitution mandates balanced budgets and fiscal responsibility.	1949	7	Finance	83-91
South Korea	The Constitution and the Framework Act on National Taxes regulate budgetary and financial matters.	1948	3	National Assembly / Finance/	54-59
Spain	The Spanish Constitution establishes principles of budgetary stability and financial autonomy of regions.	1978	7	Economy and Finance	85-94
Finland	The Constitution and the State Budget Act regulate budget processes, fiscal responsibility, and economic policy coordination.	1999	7	Public Finance	128-136
Switzerland	The Federal Constitution provides for financial management principles, including balanced budgets and debt limits.	1999	3	Financial System	81-92
Uzbekistan	The Constitution and Budget Code regulate state budget formation, execution, and control.	1991	25	Finance and Credit	126-135
Lithuania	The Constitution and Law on the Budget System govern budgetary relations, fiscal responsibility, and financial control.	1992	11	Finance and State Budget	122-124
Estonia	The Constitution and Public Finance Act regulate budget processes, fiscal discipline, and economic policy.	1992	11	Finance and State Budget	125-132
Poland	The Constitution and Public Finance Act establish budgetary principles, fiscal discipline, and financial oversight.	1997	10	Public Finance	111-119
Hungary	The Fundamental Law (Constitution) and Public Finance Act regulate budgetary processes, fiscal responsibility, and economic security measures.	2011	15	Public Finance	216-227
Luxembourg	The Constitution and Budget Law regulate public finance, budget approval, and fiscal policy.	2009	8	Finance	36-44
<i>Noted: The results of study</i>					

Table 02: The comparison countries economic security and legal regulation of economic security

The results highlights that most countries embed budgetary discipline, fiscal responsibility, and financial management principles within their constitutions and specific budget or finance laws. The number of chapters and item clause numbers vary, reflecting differences in legal structuring. Many countries also align their frameworks with regional standards, such as those of the European Union. We concluded that across these countries, constitutional and legal frameworks consistently emphasize as below:

- Fiscal discipline and responsibility as foundational principles.
- Balanced budgets and debt management to ensure financial stability.
- Coordination between different government levels (federal, regional, local) for effective budgetary governance.
- Integration with broader economic policies to support sustainable development.
- Adaptation to regional or international standards, especially in EU member states.
- Increasing attention to economic security and transparency in public finance.

The comparative perspective highlights a shared global commitment to sound fiscal governance, while reflecting each country's unique political and institutional context.

5. Conclusion

We concluded our study few conclusions as below:

Firstly, the state ensures the legal foundation of economic life, organizes and supervises its implementation, establishes an optimal and efficient economic structural system, and appropriately utilizes capacities to create the conditions for the normal existence of an independent state and to guarantee economic security.

Secondly, although laws and regulations that regulate all budgetary relations—such as establishing the legal environment for economic security, approving budgets, implementing, monitoring, and evaluating budget performance—are enacted and enforced in a coordinated manner, insufficient results in their implementation necessitate reforms aimed at improving the coherence between budget policy documents and budget legislation.

Thirdly, there is a need to coordinate the economic and budgetary legal framework with laws on administrative offenses related to accountability, other sectoral rights, and to improve legislation addressing violations, political issues in budget and tax matters, and better lawmaking.

Finally, provisions that hold accountable those who violate budget laws and cause damage should be made clear, strong, and specific. The continuous amendments and clarifications of the four special requirements stipulated in the Law on Budget Stability without actual fulfillment pose a long-term risk of losing economic security. Therefore, it is necessary to develop a policy document called the "budget policy" and use it as a guideline to harmonize and implement other budget-related legal acts coherently.

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