

## Economic security policies in G7 countries

In an increasingly challenging geopolitical environment, the notion of economic security is gaining traction. The May 2023 G7 summit produced, for the first time, a dedicated statement on the topic and the EU adopted its first strategy in June 2023. G7 countries are also expanding the range of measures tackling complex security risks.

### Economic security policy

The concept of a dedicated, horizontal economic security policy is rather novel. It is gaining traction due to rising geopolitical tensions coupled with global economic integration, which highlight the [security risks](#) that may be posed by certain economic flows and activities. The Commission, in its recent [communication](#) on European economic security strategy, states that 'more than ever, our security is deeply intertwined with our ability to make ourselves more resilient and reduce the risks arising from economic linkages'. This is exacerbated by profound technological shifts. The Commission assesses that the majority of the EU's highly valuable economic links need to be preserved, while critical new risks (such as scarcity of [raw materials](#)) must be tackled effectively. To that end, the EU adopted its first-ever [economic security strategy](#) in June 2023. It proposes risk assessments on: (i) the resilience of key supply chains; (ii) the physical and cybersecurity of critical infrastructure; (iii) technology security and leakage; and (iv) [economic coercion](#). To mitigate those risks, three broad measures are envisaged: promoting the EU's competitiveness (through measures such as [STEP](#) (the strategic technologies for Europe platform)); protecting its economic security (through, for example, new controls on [outbound investment](#)); and working together with the broadest possible range of partners bilaterally and multilaterally (through, for example, the [Global Gateway](#)).

### G7 and economic security

At the May 2023 [G7 summit](#) in Hiroshima, Japan produced, for the first time, a dedicated [Leaders' statement](#) on economic resilience and economic security. The G7 outlined [seven areas](#) that require action:

- building resilient supply chains;
- creating resilient critical infrastructure;
- addressing non-market policies and practices;
- tackling economic coercion;
- countering harmful practices in the digital sphere;
- collaborating on international standard-setting;
- preventing leakage of sensitive critical and emerging technologies.

To that end, the G7 supports enhanced strategic coordination of relevant policies, to reduce vulnerabilities, boost the role of low- and middle-income countries in supply chains, and counter malign practices.

### Main elements of G7 countries' policies

Comparing G7 countries' provisions and initiatives concerning economic security is not straightforward. This is because there is no universally accepted definition of [economic security](#) and its elements against which to benchmark and compare countries. Furthermore, the perceived risks and responses to them may depend on the particular circumstances of the country, such as its location and/or economic dependencies. Finally, unlike the EU and [Japan](#), not all countries have a dedicated strategy; some have what can be described as scattered initiatives across multiple policy fields. Nonetheless, some common elements (as well as differences) can help shed light on the evolution of the notion of economic security in G7 countries and the conceptualisation of relevant policy. Interestingly, only two countries have a ministerial post that is dedicated to economic security: [Japan](#) and the [UK](#).

### Investment screening policies

These policies have a legally binding character, exist in all seven countries, and seem to be particularly well developed in [Canada](#), [France](#) and [Italy](#). They aim to protect critical industries and sectors from undesirable



technology transfers, block unwanted foreign access to knowledge and technology, and prevent takeovers of strategic companies and assets in critical sectors. It is worth remembering that, for EU countries, national legislation is complemented by the [EU framework for FDI screening](#).

The G7 countries are on a path towards increased scrutiny of outward investment. [Japan](#) already has some rules in place. The Commission plans to adopt a [proposal](#) in 2023 to address security risks in outbound investment concerning certain advanced technologies (quantum, chips and artificial intelligence). In August 2023, US President Joe Biden issued an [executive order](#) with a similar aim, and the [UK](#) is taking the first steps in the same direction.

### Export controls

These controls are constituted by legally binding rules and exist in all seven countries. They may cover 'civilian' goods, software and technology that can be modified for military use – '[dual-use](#)' items. These types of item are available to buy commercially and are typically finished products, characterised by specific capabilities that can be deployed in chemical, biological, radiological, nuclear or conventional weapons. The EU has its own dual-use [export controls legislation](#), soon to be [revised](#). Notably, the US also uses export controls as a tool for geopolitical competition, as in the case of [semiconductors](#).

### Protection of critical infrastructure and cybersecurity measures

These two areas are connected, as [major risks](#) to critical infrastructure come from cyber threats. The G7 countries are using a combination of legislation, strategies and organisational adaptation, including the creation of dedicated bodies (such as the [National Cyber Security Centre](#) in the UK). There is an ongoing trend towards linking cybersecurity elements and 'silos' into one coherent system covering public services, and increasing outreach towards the private sector and general public with guidelines, advice and incident mitigation. In the 2022-2023 [Cyber Defense Index](#), the G7 countries generally score relatively highly among the 20 major global economies: US (4), Canada (5), UK (7), France (8), Japan (9), Italy (11), Germany (13).

### Strengthening the resilience of supply chains

Some G7 countries, like [Canada](#), [Japan](#) and the [US](#), have dedicated strategies and task forces designed to boost the resilience of key supply chains. The [UK](#) is in the process of developing one. They usually include some government support for critical sectors, supply diversification strategies, stockpiling, and stronger ties with international partners. Examples of sectoral support in G7 members such as the [US](#) and [UK](#) are strategies to boost the semiconductor sector – in the former, through enacted legislation (the [Chips and Science Act](#)). It is worth noting that the EU also recently adopted legislation supporting its [chips ecosystem](#).

### Actions concerning critical raw materials/minerals

Dedicated policies and/or horizontal (umbrella) strategies are prevalent and exist in all seven countries. Recently, France, Germany and Italy pledged [close cooperation](#) on critical minerals, both among themselves and to further advance EU-level action. As with the actions concerning supply chain resilience, the [policy mix](#) usually includes a degree of government support, diversification, stockpiling, increased domestic supply and stronger ties with international partners. There is also a trend towards bringing researchers and experts, and public and private actors together in an effort to help create coherent regulatory, economic and market conditions conducive to the safe and sustainable supply of critical raw materials. The EU has its well-established [critical raw materials policy](#), which is updated regularly and complements national efforts. The [EU critical raw materials act](#) is currently at the [trilogue](#) negotiation stage.

### External policy dimension

These actions to increase economic security can be bilateral (such as agreements between the US and Korea on [semiconductors and minerals](#)) or take place in multilateral bodies such as the G7. While France, Germany and Italy are making their own efforts, including through the EU, to [leverage economic security diplomacy](#), the [US](#) and the [UK](#) also have well-developed external policy approaches to economic security.

### Economic coercion

[Japan](#) has announced that it will 'enhance' its own measures, while the G7 launched the '[Coordination Platform on Economic Coercion](#)' to facilitate a collective '[response](#)' against economic coercion. EU Member States will soon be protected by the EU [anti-coercion instrument](#), which allows for far-reaching countermeasures and is designed to have a deterrent effect.