

De-risking in low gear. The way forward for the EU's economic security agenda

Paulina Uznańska

On 24 January, the European Commission published its plan to implement the European Economic Security Strategy. The sole legislative proposal it has finalised provides for the stricter monitoring of inward investment in the EU. Other issues have been addressed in non-binding white papers which call for security assessments of foreign investments made by EU companies, the harmonisation of export control regulations, the promotion of research into and development of dual-use technology, and the improved security of research by European centres that cooperate with third-country partners.

Since the Commission announced the Economic Security Strategy in June 2023, it has taken a number of steps to implement it. The EU has identified 10 critical technologies that are crucial to its economic security (see *'Technologiczny de-risking. Europejska lista technologii krytycznych'*) and putting in place legal tools to protect itself against economic extortion by third countries (see *'Right of retaliation: the EU rolls out a tool to protect itself against economic blackmail'*). Since 2019, the EU has also been monitoring inbound investments in order to shut out those that could jeopardise its security.

Commentary

- The implementation of the European Economic Security Strategy has mainly been hampered by the member states' resistance to transferring more and more powers in the field of economic security to the EU level. As a result of these internal tensions within the EU, its policy of de-risking (the selective reduction of its economic dependence on China) has been taking a less radical shape than the Commission had originally announced. No consensus has so far been reached on its key demand as part of this strategy, namely the supervision of investments by EU companies in the area of critical technologies in 'high-risk markets', including China. Hence, the Commission has opted not to propose the promised legislation in this regard, instead confining itself to monitoring and consultations with companies; it will decide whether or not to initiate legislative changes by the end of 2025.
- Opposition to the implementation of this agenda has come primarily from Germany, the largest European investor in China, which accounted for more than 40% of EU investment in this country in 2020–21. German businesses have a strong presence in China (the annual revenues of German companies that operate in China account for around 6% of the country's GDP), mainly in the automotive and chemical sectors. Although 83% of

these companies currently admit that the Chinese economy is slowing down, 91% of them plan to continue their operations in China, while more than half intend to expand their investments in this country.

- The Commission's white papers have highlighted the need to coordinate export controls for products with both civilian and military applications, such as semiconductors and nuclear technology. To this end, it will create a high-level forum for policy coordination and issue recommendations to the member states. It also remains focused on the security of research conducted by EU research centres in cooperation with third countries, and on EU funding programmes for research into and development of dual-use technologies. Following consultations with the industry and the research community, the Commission will decide on further actions in this area. However, these will already be handled by the new Commission, which will take shape after this year's European elections. Its willingness to continue the policy of strengthening the EU's competitiveness vis-à-vis China remains uncertain.
- The Commission's restraint in introducing the de-risking agenda has been enthusiastically welcomed by China. Since the strategy was announced, Premier Li Qiang has been urging the EU to set its limits clearly, and at the most recent EU-China summit he voiced his opposition to the politicisation of economic relations between the EU and China (see '[The EU clashes with Beijing: the EU-China summit](#)'). As China has a strategic interest in slowing down the implementation of the de-risking strategy, it has taken a number of offensive steps against the EU: it has introduced a regime to control the foreign sales of elements that are crucial to the EU's energy transition (gallium, germanium, graphite) and obliged Chinese exporters to report their sales of rare-earth metals. These moves have sent a wake-up call to both EU member states and European business, the latter of which dreads Chinese retaliation in response to the EU's assertiveness.