



EU Economic Security Strategy

Addressing supply chain vulnerabilities in critical materials and goods

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Outline



European Economic Security Strategy

Economic security is about de-risking.



Supply chains

RISKS to the resilience of **supply chains**, including energy security

Risks of price surges, the unavailability or scarcity of critical products, diversified energy supply and pharmaceuticals.



Infrastructure

RISKS to the physical and cyber-security of **critical infrastructure**

Risks of disruptions or sabotage of critical infrastructures (pipelines, power generation, transportation, electronic communication networks)



Technology

RISKS to **technology** security and of technology leakage

Risks to the EU's technological advancements, technological competitiveness, and access to leading-edge technology (military/intelligence capabilities, AI, quantum, semiconductors)



Economic coercion

RISKS of **weaponization of economic dependencies** of economic coercion

Risks that third countries try to bring about a change of EU policy falling within legitimate policymaking space.

Identification of strategic dependencies

Assessment of supply chain risks

Definition of foreign dependencies

A product is considered as foreign dependent if it fulfils three criteria:

- ▶ the bulk of non-EU imports originates in less than three sources
- ▶ non-EU imports are at least half of the total EU imports
- ▶ non-EU imports are higher than total EU exports

Sequence of identification

Step 0: All goods imported by the EU over 2017-2020
Around 5400 different goods in the 2017 HS6 Classification



Step 1: Applying the enhanced methodology to identify the most dependent products
564 Products



Step 2: Restricting to the most dependent products in sensitive ecosystems
(Health, Safety, EII, Defense, Green & Digital Transition) – 204 Products

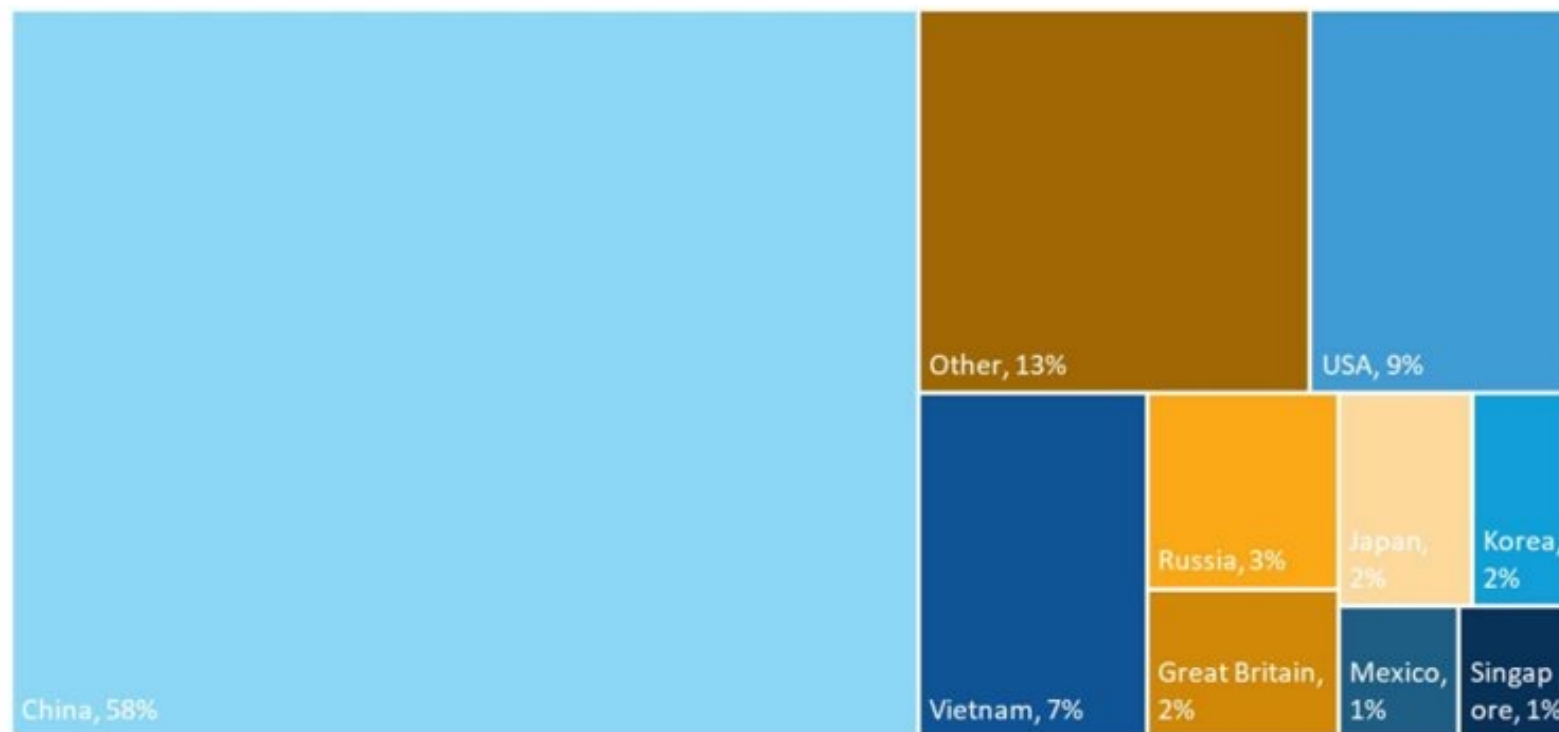


Step 3: Qualitative assessment to identify possible strategic dependencies

EU's strategic dependencies

Share of each source in the EU import value of dependent products

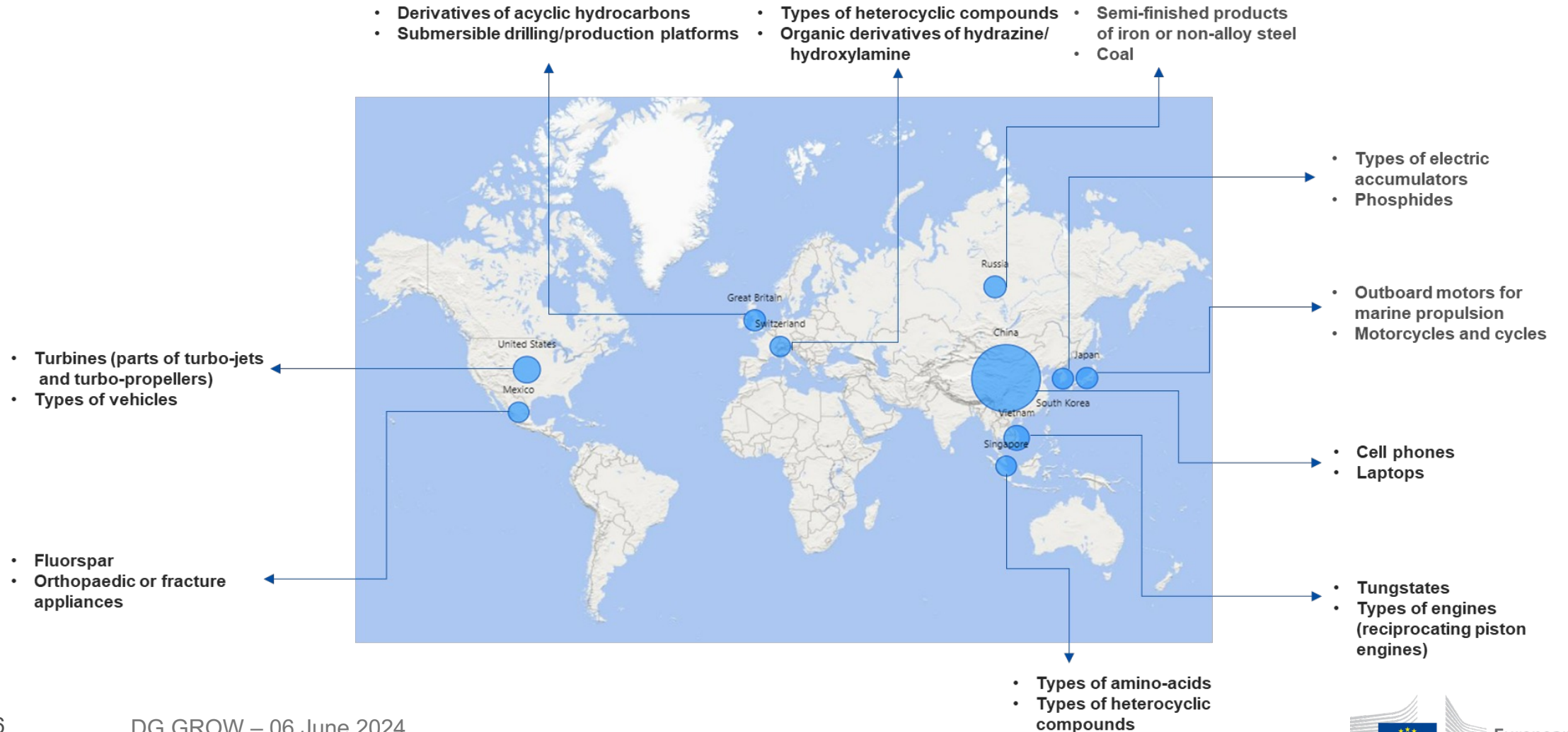
- ▶ There are **204** critical products in sensitive ecosystems for which the EU is highly dependent on foreign suppliers
- ▶ For 58% of those imports (in value), the EU is **dependent on China**.
- ▶ Other important countries are Vietnam and the United States.



Source: GROW Chief Economist team' calculations based on the database - Trade-Figaro-Eurostat.

Distribution of the 204 dependencies across origins

(in terms of import value)



Risks linked to critical technologies

Commission recommendation on critical technology areas of 3 October 2023

1. Advanced semiconductor technologies
2. Artificial intelligence technologies
3. Quantum technologies
4. Biotechnologies
5. Advanced connectivity, navigation and digital technologies
6. Advanced sensing technologies
7. Space and propulsion technologies
8. Energy technologies
9. Robotics and autonomous systems
10. Advanced materials, manufacturing and recycling technologies

Mitigation of supply chain vulnerabilities

Promote

Promoting the EU's economic base, competitiveness and growth

The Commission has adopted several concrete proposals to increase resilience. Amongst others:

- ▶ Internal Market Emergency and Resilience Act (IMERA); Critical Raw Materials Act (CRMA); Net-Zero Industrial Act (NZIA), Chips Act ...

Protect

Protecting against economic security risks

The Commission has put in place and is exploring specific de-risking tools to protect against economic security risks. Amongst others:

- ▶ Foreign Direct Investment Screening; Outbound Investments Initiative; Export Controls; Research security; Trade Defense Instruments; Foreign Subsidies Regulation

Partner

Partnering on economic security

The Commission is expanding its bilateral and multilateral cooperation instruments necessary for greater economic security. Amongst others:

- ▶ Strategic partnerships with i.e. Norway, Rwanda, Greenland; Economic Security and industrial policy dialogues

Thank you

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