



POLICY BRIEF: MAPPING THE ECONOMIC SECURITY TOOLBOX

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Decades of deepening globalization have created a highly interdependent world. Since 2016, the European Union (EU) and its individual member states have been engaged in a profound reassessment of the risks of interdependence in the economic, security and technology domains. As a result, a flurry of policy tools is being developed and adopted to address asymmetrical dependencies and other vulnerabilities embedded in interdependent international economic relations.

This policy brief accompanies a matrix developed by the Royal Military Academy (RMA) that maps the policy tools adopted by the EU and different governments of Belgium to protect and promote economic security. The brief provides background on the evolving policy context in the EU and Belgium in which these tools emerged. It explains the rationale behind the matrix and our criteria for including the mapped tools. Finally, we offer some preliminary analysis from the exercise. As the domain is evolving, so will be our matrix. Hence, in order to maximally keep the instrument up-to-date, we will rerun the exercise on a regular basis.

Economic security in the EU: Developments and concepts

Economic security has recently gained rapid prominence on the EU's policy-making agenda. Spearheaded in large part by the current European Commission, which has dubbed itself a "[Geopolitical Commission](#)", considerable efforts have been made to strengthen the EU's resilience and competitiveness in key areas through the development of new policies and policy tools.

The emerging economic security agenda requires the EU to bridge the gap between economic efficiency and security. Conceptually, this entails a paradigm shift for the EU, which has traditionally been an advocate of free trade, open markets and multilateralism. Institutionally, the economic security agenda may give rise to dilemmas and tensions as the EU's common commercial policy has historically developed separately from the intergovernmental foreign and security policy, with different divisions of competence and different decision-making processes.

Four categories of economic security concerns can be distinguished. Their emergence is often linked to developments in the EU's international environment. Firstly, the EU has become concerned about **vulnerabilities stemming from dependence on third parties**. This concern emerged first in the domain of [defence and security](#). In June 2016, in what was perceived to be a more unstable and insecure geopolitical environment for the EU, the Union launched its "Global Strategy for the European Union's Foreign and Security Policy". The Strategy underscored that for the EU to be able to foster peace and promote security within and beyond its borders, it should have "[an appropriate level of ... strategic autonomy](#)" (p. 19). A

few months later the EU Council defined strategic autonomy as the EU's capacity to "[act autonomously when and where necessary and with partners wherever possible](#)" as a security provider.

United States (US) unilateralism under the Trump Presidency and a shift away from Europe in US defence and security priorities caused a deeper embrace of the search for strategic autonomy. A competitive European defense sector was seen as critical to this effort. Henceforth, [defense cooperation](#) among Member States was therefore to become the norm even as Members remained sovereign in their security decisions. According to the EU, these initiatives would not undermine transatlantic security ties and the North Atlantic Treaty Organization (NATO). Rather, they would make NATO stronger "by strengthening its European pillar"¹.

The COVID-19 pandemic served as an important catalyst for the concept of strategic autonomy to be expanded beyond the defence and security domain. Supply chain disruptions during the pandemic brought into sharp focus the risks of [dependency on third parties in critical sectors](#) such as medical supplies. To this were added concerns about the EU's dependencies in raw materials and other [critical inputs for the green and digital transitions](#) to which it aspired. China was identified as the major source of many of the [EU's strategic dependencies](#). Proposed **resilience** measures centered mainly on **diversifying supply chains** and **strengthening the EU's own supply capacities**. At the same time, it was

emphasized that it was critical to maintain open markets, which led to the adoption of the term "[open strategic autonomy](#)".

Lastly, concerns about dependencies took on a decidedly **geopolitical dimension** in 2022. Two developments that year plainly revealed the risks of economic dependency on rivals with fundamentally different geostrategic objectives.² First, EU member state Lithuania became subject to economic coercion from China over its Taiwan policy. Second, Russia's war against Ukraine showed starkly [how dependent the EU had become on a geostrategic rival for its energy security](#). On the one hand, interdependence with Russia provided the platform for the EU to move to sanction Russia over the war. On the other hand, the EU suffered profound alarm over its economic security and social welfare amid Russian moves to reduce gas supplies to Europe.

A second category of economic security concerns that has emerged in the EU centers on major trading partners' pursuit of **mercantilist and protectionist policies** and **failure to play by the rules and spirit of the liberal trade order** anchored on the World Trade Organization (WTO).³ Here as well, China has become a particular cause of concern. In a 2019 Joint Communication, the EU characterized China as a "[strategic competitor](#)" who pursued "proactive and state-driven industrial and economic policies" and failed to "reciprocate market access and maintain a level playing field." The Communication was heralded as marking the

¹ Mogherini, Federica. "Taking Responsibility in A Dangerous world." *PRISM* 8, no. 2 (2019): 2-9, 6.

² Weinhardt, Clara, Karsten Mau, and Jens Hillebrand Pohl. "The EU as A Geoeconomic Actor? A Review of Recent European Trade and Investment Policies," in *The Political Economy of Geoeconomics: Europe in a Changing World*, eds. Milan Babić, Adam

D. Dixon, and Imogen T. Liu (London: Palgrave Macmillan, 2022), 107-136.

³ Garcia-Duran, Patricia, L. Johan Eliasson, and Oriol Costa. "Commerce and Security Meet in the European Union's Trade Defence instruments." *Politics and Governance* 11, no. 4 (2023): 1-12.

end of “European naïveté”⁴ on China. It developed an overall framework for EU-China relations in which China was presented as a cooperation and negotiation partner, an economic competitor and a **systemic rival** promoting alternative models of governance.

The above characterization of China as a “strategic competitor” indicates that in the economic domain, the distinction between competitor and systemic rival is not as clear-cut as suggested by the framework embedded in the Joint Communication. In fact, increasingly, the EU has been conveying the view that China is playing by a different set of economic and trade rules, to the detriment of the EU. When the EU announced an anti-subsidy investigation into Chinese electric vehicles in 2023, Commission President Ursula von der Leyen [stated](#) that “[w]e have not forgotten how China's unfair trade practices affected our solar industry. ... This is why fairness in the global economy is so important – because it affects lives and livelihoods.”

The third category of concerns that shape the EU's economic security agenda relates to the **presence of foreign economic entities** in the EU's Single Market, in particular **in strategic sectors** such as critical infrastructure. It was US pressure regarding the presence of China's Huawei in European 5G mobile networks that drove the rise of this issue on the policy agenda.⁵ In essence, the controversy elevated mobile network security to a national security matter, centering on the question of the admissibility of a company with ties to a [“systemic rival”](#) in the EU's critical infrastructure. The EU eventually adopted a [“5G toolbox”](#) which includes strategic measures aimed at

mitigating risks of interference from state or state-backed actors from outside the EU through the 5G supply chain. More aspects of Chinese involvement in critical infrastructure have become subject to debate in recent years, including its [presence in seaports and container terminals](#) or [undersea communication cables](#).

A fourth and final category of concerns deals with the **security of the EU's technology and knowledge bases**. A similar dynamic to the 5G debate has been observable here, whereby the EU is being challenged by the US to move beyond more traditional concerns of loss of European competitiveness and to adopt a more geostrategic perspective on knowledge and technology security. The US itself has enacted export restrictions for advanced semiconductor technologies to China and outbound investment screening in certain national security technologies and products to certain [“countries of concern”](#). It has pressurized EU member state the Netherlands, home to semiconductor manufacturing equipment maker ASML, into barring sales of cutting-edge semiconductor technology to China.

The debate on whether the EU should also act to protect and prevent “leakage” of certain technologies to certain countries is unfolding at the moment. A consensus seems to be forming around a focus on a limited list of technologies of an “enabling and transformative” nature and countries “that operate civil-military fusion strategies”. The latter appears to be a reference to China, with its military-civil fusion (*junmin ronghe*) policy. A [Recommendation](#) on **critical technology areas** was published by the European Commission in October 2023 and

⁴ Peel, Michael, Victor Mallet, and Miles Johnson. "Macron Hails 'End of Europe Naïveté' towards China," *Financial Times*, March 22, 2019.

⁵ Rühlig, Tim, John Seaman, and Daniel Voelsen. "5G and the US-China Tech Rivalry - A Test for Europe's

Future in the Digital Age: How Can Europe Shift Back from Back Foot to Front Foot?" *SWP Comment* 29, (2019).

is currently being discussed as part of risk assessment.

The emerging European economic security strategy

In June 2023, the EU took a key step towards developing an overarching vision for its economic security with the publication of a [Joint Communication on a European Economic Security Strategy](#). The Communication proposes to protect the EU's economic security through a framework for risk assessment and management. It identifies four "broad and non-exhaustive" risk categories for prioritization in this "de-risking" effort, namely the resilience of supply chains, the physical and cyber-security of critical infrastructure, technology security and technology leakage, and weaponization of economic dependencies or economic coercion.

The EU's Economic Security Strategy is **country-agnostic**, meaning it does not single out any country as an economic security concern. The only country mentioned by name in the Strategy document is Russia in the context of the war in Ukraine. However, as a result of that war, the EU has ceased pursuing further interdependence with Russia. Undoubtedly, the EU's biggest economic security challenge in terms of assessing and addressing risks of economic interdependence lies with China. Currently, the Commission is of the view that completely decoupling its economy from China's is "[not viable, desirable or even practical for Europe](#)" and that the EU should rather "**de-risk**" the most critical aspects of its economic relations with China.

The EU's Economic Security Strategy, as laid out in the Strategy document, proposes strengthening the EU's resilience through focusing on **3 P's**, namely *promoting* the EU's competitiveness, *protecting* the EU against commonly identified economic security risks

and *partnering* with willing countries with shared concerns and common interests. This three-pronged strategy was first mentioned in two speeches on China given by Commission President von der Leyen in March-April 2023 and was later incorporated in the Economic Security Strategy. This again suggests the centrality of China to the EU's economic security agenda.

Belgium's turnaround on economic security

As one of the most open European economies, Belgium is obviously impacted by the shift in the European mindset on economic security. Some of the new European regulations such as the Foreign Subsidies Regulation affect Belgian companies directly. Others have been materialized in Belgian instruments. A case in point is the 2019 EU regulation establishing a framework for the screening of foreign direct investments, which has led to the establishment of Belgium's interfederal inbound investment screening mechanism. Some other aspects are still under development. As Belgium-based researchers we intend for our matrix to map all the policy tools that are relevant to Belgium's economic security. This section will take a brief look at Belgium's turnaround from an open economy to one with an eye on economic security.

Belgium has a well-established policy of economic openness on account of its relatively small economy and reliance on foreign markets. In the past, this openness was occasionally called into question, for instance when Belgium experienced a wave of foreign acquisitions, including of some so-called "crown jewels" of the Belgian economy, around the end of the Cold War. However, the Belgian authorities refrained from developing a strategy to safeguard local ownership of strategic economic assets

and mostly concentrated on meeting the challenge of increased competition emanating from globalization upfront, including through active economic diplomacy.⁶

Considering its traditional openness, it is remarkable that Belgium has recently started to take measures to protect its economic security. A watershed moment was the failed attempt by China's state-owned State Grid Corporation to acquire a 14%-stake in Eandis, a public utility responsible for the distribution of gas and electricity in Flanders in 2016. The takeover attempt gave rise to public debate on the wisdom of allowing Chinese participation in critical infrastructure. It also induced the Flemish government to develop a [policy tool](#) to address future attempts by entities from outside the EU or European Economic Area (EEA) to acquire control or decision-making power in a public institution.

Economic security made its way into Belgium's first-ever [National Security Strategy](#), which was launched in December 2021. The Strategy made reference to a number of economic security issues such as risks of interference associated with strategically motivated acquisitions by foreign or state-controlled companies, dependence on third countries for critical inputs and technology, and unfair competition from "foreign companies supported by their governments" (p. 19) and the barriers "these same governments" (ibid.) raise to access their markets. These examples reveal that Belgium's economic security policy is developing in sync with the EU's. In fact, as the next sections will discuss, our matrix shows that the EU serves as a key source of guidance to Belgium on economic security policy.

⁶ Coolsaet, Rik. "Historical Patterns in Economic Diplomacy, from Protectionism to Globalisation—The case of Belgium." In International Studies Association

Where the rubber meets the road: The policy tools

The matrix we have developed is intended to give an overview of the policy tools that have been developed or are being developed both at the EU level and in Belgium to implement the emerging economic security agenda since 2016. As responsibilities with respect to Economic Security touch upon different domains, we also look at initiatives taken at the regional level. Four of the focal areas that we have selected for the matrix (strategic autonomy and supply chain security, protection of critical infrastructure and strategic sectors, level-playing field and protection of economic and scientific potential) are derived from Belgium's National Security Strategy of 2021 (pp. 30-31). We have also added a fifth domain of geoeconomic tools, which encompasses tools that are more geostrategic in nature. This category includes unilateral sanctions such as those taken by the EU against Russia.

We have selected policy instruments that have come into existence since 2016, which is the year the notion of strategic autonomy gained unprecedented political importance in the EU. While we aim to be exhaustive in terms of the listed protective instruments, the list of tools for the purposes of promotion and partnering is mostly indicative. In terms of promotion, we have selected tools whose purpose in policy terms is framed in reference to concepts such as open strategic autonomy, resilience and de-risking. For each instrument, we indicate the economic security issue it aims to address, whether it is of a "promote", "protect" or "partner" nature, the policy level at which decision-

2001 Convention, 2001. Vanempen, Jean, "De laatste stuip trekking in het verankeringsdebat," *De Tijd*, September 26, 2005.

making power resides and the stage of development.

Analysis and expectations

A glance at the matrix immediately reveals the importance of the EU as the main source of policy tools for Belgium in the economic security field. Working through the EU helps Belgium to overcome a number of challenges. Some are typical for a relatively small open economy that is highly exposed to the global economy, such as a need to maintain international or at least regional competitiveness and fear of retaliation from larger and less vulnerable states.⁷ Others stem from Belgium's particular domestic socio-political system, in particular the federal state with its intricate divisions of competence and competition among different governments and government levels.

Firstly, following the EU on matters of economic security alleviates Belgian **fears of losing regional competitiveness**. This became apparent during the development of Belgium's interfederal inbound investment screening mechanism. As mentioned before, this mechanism came about under the impetus of an EU framework on investment screening. Belgian policy-makers were thus assured that introducing investment screening in their country would not overly tilt the playing field to neighbouring countries' advantage. Still, Flanders tried to shape the terms of the screening mechanism so as to limit possible negative impacts on the competitiveness of its economy, for example by insisting that [decision making timelines should be shorter](#) than those of Belgium's neighbours.

Secondly, working through the EU helps to mitigate Belgian **fears of retaliation** from trade partners, including China. Belgium is no stranger to Chinese retaliatory trade measures. Following its enactment in 2021 of measures affecting the presence of China's Huawei and ZTE in 5G networks, China allegedly retaliated by imposing trade limitations on Belgian pork.⁸ Fear of retaliation is also a major reason behind Belgium's strong support of a country-agnostic approach in economic security. Unlike some of its neighbouring countries, Belgium does not have a published China strategy.

Thirdly, the EU helps to **overcome domestic inertia** in Belgium's complex federal system, where national security and public order are an exclusive competence of the federal government while economic affairs, foreign trade and science are competences of the regional governments. Belgium's regions have considerable diplomatic clout within their competence. This has been a long-standing stumbling block for Belgium in mounting effective economic diplomacy⁹, and is also having an impact on Belgium's ability to coordinate its economic security policy.

An example of this can again be found in Belgium's inbound investment screening mechanism. Belgium's Council of State advised in 2020 that regional governments had to be involved in developing and implementing the mechanism after the Federal Government, considering the screening mechanism to be within its exclusive competence of national security,

⁷ Katzenstein, Peter J. *Small States in World Markets: Industrial Policy in Europe*. (Ithaca: Cornell University Press, 1985).

⁸ Van Horenbeek, Jeroen and Stavros Kelepouris, "Hoe China de Belgische regering onder druk zet

over 5G: Varkensvlees als opmerkelijke pasmunt," *De Morgen*, February 19, 2021.

⁹ Coolsaet, Rik. "The Quest for Vital Interests and Objectives in the Foreign Policy of Belgium." *Studia diplomatica* 2 (2016): 9-23, 15-16.

had first attempted to go it alone.¹⁰ It is not uncommon for countries to experience tensions between economic and security interests in policymaking. In Belgium, however, these tensions also manifest along profound institutional divisions.

Overall, the matrix shows that **Belgium's approach**, both at the federal and the regional levels, **mostly centres on the "protect" dimension**. Belgian governments have been decidedly less active on the "promote" and "partner" aspects of the economic security agenda. In these two domains, the EU has been the major source of policy instruments for Belgium. As a smaller European economy Belgium faces distinctive constraints in rolling out industrial policies as part of a "promote" agenda. This is even more so because key aspects of economic policy are handled at the regional level, making it highly difficult to mobilize resources and achieve economies of scale. The "promote" dimension is also an aspect of the economic security agenda where there is also profound international competition, even among supposedly like-minded partners, such as among the EU member states and between the EU and the US. The climate of geopolitical competition is also affecting the partnering agenda. As the matrix shows, even for the EU with all its market power and traditional commitment to multilateralism, this aspect so far remains rather underdeveloped.

There are signs that, similar to the EU, Belgium is slowly moving away from a firefighting approach of dealing with economic security issues on an ad hoc basis, as exemplified by the afore-mentioned Eandis case or the recent public debate surrounding Chinese [solar panels](#), to **more proactive and systematic risk assessment**

and management. The intergovernmental inbound investment screening mechanism is an example thereof. In another example, the Federal Government has recently adopted a "[Quickscan](#)" tool to limit security risks in public procurement. Earlier this year a Chinese-owned Polish enterprise requested Belgium's Council of State to determine whether it had been lawfully excluded by the Belgian Ministry of Finance from participation in a public tender on national security grounds. The Council of State [ruled](#) the Chinese enterprise's claim that its exclusion from the tender process violated public procurement law and the rules on the free movement of goods within the EU, not valid. With the adoption of the Quickscan, a more systematic framework has been created to determine whether suppliers should be excluded from tendering on national security grounds.

The private sector is a key driver behind many of the economic exchanges policy-makers are seeking to de-risk. Some of the policy tools that are currently being discussed such as export controls and outbound investment screening may have a profound impact on the private sector's activities.¹¹ Putting de-risking into practice will thus require governments to work closely with businesses. Of late, governments have also started discussing reorienting public support and promotion of international trade and investment in accordance with economic security goals. For instance, Germany's recently published [China strategy](#) announced plans to use "market economy instruments" to make "removing unilateral dependencies more attractive" for German companies (p. 38). State investment and export credit guarantees in particular

¹⁰ Advice nr. 67.887/1 of the Council of State of 28 September 2020.

¹¹ Hanke Vela, Jakob and Barbara Moens, "EU Looks to Ban Companies from Making Sensitive Tech in China," *Politico*, June 20, 2023.

were mentioned as instruments that were under review in this regard.

Considering the current prominence of the economic security on the policy agenda, we expect progress to be made in the near future on tools that are currently under development or under discussion. However, once election season gets in full swing in 2024, a slowdown in policymaking is likely to occur. As risk assessment is ongoing at the EU level, we can also anticipate novel issues entering the policymaking agenda in future.