

EU Commission Publishes Economic Security Initiatives Package

01 February 2024

As part of its rollout of the European Economic Security Strategy adopted last year (on which we reported in a previous [briefing](#)), the European Commission (*Commission*) has published a [package](#) of planned initiatives aiming to enhance the EU's economic security. The official [communication](#) highlights how the Commission views the package as a comprehensive approach to strengthen the EU's response capacity to various risks linked to FDI into the EU, outbound investments as well research security and dual-use goods. Accordingly, the unveiled initiatives address the following areas.

Revision of the FDI Screening Framework

The Commission aims to improve the current FDI screening framework by revising Regulation 2019/452. Following several assessments and stakeholder consultations, the [Proposed Regulation](#) aims to improve the effectiveness of the current framework, notably by harmonising the national screening mechanisms, adjusting the scope of required screenings and adapting the cooperation mechanism. The framework's update seeks to close existing gaps that left breaches for potentially sensitive EU-bound FDI transactions to go unchecked. For more details, see our dedicated briefing on the proposed reform [here](#).

Export controls

In response to the need for more coordinated action at EU level regarding export controls in the face of growing geopolitical tensions and rapid technological change, the Commission proposes a host of actions in a [White Paper on Export Controls](#). Among these features is a proposal to introduce in the short-term uniform EU controls for items which would have been covered by the existing multilateral export control regimes if the respective decision-making processes had not been blocked.

Furthermore, the Commission proposes to create a political coordination forum in which senior Commission and EU Member States representatives should seek to reach common positions on export controls. Moreover, the Commission aims to adopt in summer a recommendation to improve coordination between Member States and the Commission on any newly envisaged national export control list before adoption, notably in order to allow for comments on implications for the broader EU territory.

Lastly, the current Dual-Use Regulation is set to be evaluated in the first of quarter of 2025 and will potentially be subject to Commission proposals to remedy any identified shortcomings.

Outbound Investment Screening: Only data collection for now

Despite steadily growing concerns surrounding outbound investment flows in sensitive technologies and know-how, the EU still lacks an instrument allowing for scrutiny of such flows to third countries. The Commission argues that more work and analysis are needed before any necessary policy response may be determined in response to the concerns. A [White Paper on Outbound Investment Screening](#) is meant to further extend and structure the debate on the topic, while a potential future recommendation may ask the Member States to support these efforts through monitoring and assessment of the current situation. The current debate reflects uncertainty regarding the very necessity and scope of a prospective screening instrument. Thus, the Commission is currently seeking opinions on various aspects of a proposed Recommendation planned for summer of this year. Though nothing is set in stone as of yet, it seems likely that the Commission will eventually ask Member States to monitor: 1. What kind of investments in certain critical technologies are made from the EU; 2. Whether such investments may effectively put EU or Member State security at risk; and, if so, 3. To what extent such risks can be mitigated by existing tools or would justify additional proportionate policy action at EU or national level.

BLOMSTEIN will further analyse potential developments regarding outbound investment screening in a dedicated briefing, you can find our work on the matter [here](#).

Research Security

With the broader goal of identifying and assessing research security risks as well as to promote greater awareness and resilience in the research and innovation sector, the Commission [proposes a Council Recommendation on enhancing research security](#). The proposal notably seeks to ensure that research and innovation are not abused to affect the EU's security, stressing the importance of EU-level cooperation and coordination. Prospective recommendations include that Member States establish policy framework for research security with accompanying safeguards and support structures across the entirety of the research cycle. Moreover, the Commission would monitor the progress and reserved itself the right to propose further actions in light of an evolving geopolitical situation. Importantly, it also stressed that measures taken in this context should emphasize the research sector's self-governance in order to preserve academic freedom and avoid all forms of discrimination.

Support for research and development involving dual-use technologies

The Commission considers that current geopolitical challenges call for greater support for research and development of dual use technologies that could benefit European industry and the wider economy. A further [White Paper](#) outlines options for enhancing such support and reviews existing EU funding programmes. The Commission's current assessment to the situation translates to three different paths forward: *(1) going further based on the current set-up, (2) removing the exclusive focus on civil applications in selected parts of the successor programme to Horizon Europe, and (3) creating a dedicated instrument with a specific focus on dual-use R&D.* The document is meant to launch broad consultations with stakeholders on options for strategic support to dual use R&D in order to inform the Commission's next steps in the matter.

Summary

While the outlined initiatives represent a significant next step in the implementation of the European Economic Security Strategy, several other dimensions of EU economic security are continuously being addressed. For instance, critical technologies and supply chains are being identified while the EU's economic base is being strengthened through increased engagement with international partners. As the Commission invites the EU Member States, the European Parliament and the Council to consider and act upon the various proposals, it stresses the need for rapid progress in light of the geopolitical situation. Further significant developments are thus likely to unfold soon, starting by the FDI screening framework's revision as it navigates the formal legislative process. However, the upcoming EU parliamentary elections are set to cause delays and further modifications to this and many of the other initiatives.

We will continue to monitor any developments and are at your disposal to assist you with any questions you might have in this respect. Please do not hesitate to contact [Roland Stein](#) or [Leonard von Rummel](#).