



By: Tomorrow's Affairs Staff

The EU is catching up with the US on controlling technology exports to China



The European Union has established a direct link between the national security of all its member states and their shared economic security and resilience in its new trade doctrine.

The Brussels administration has initiated a process that would eventually establish control over the security of a business that companies perform with partners from around the world, with a document called the European Economic Security Strategy.

The 14-page document does not specify who this applies to. It is not necessary. This is a strategy to protect European economies from abuse by China.

With the new strategy, the EU is rapidly aligning itself with the policy of the US and other non-European allies to limit China's access to sensitive technologies and markets - ones that could be put to military use.

Main risks and ways to reduce them

The steps will be as fast as EU procedure allows. The leaders of the Union will consider the Strategy at the end of the month, but the work on its harmonisation could be extended until the end of the year.

The main idea of the Strategy is to oblige EU members to stand together against the "hostile" takeover of technology, trade secrets, and sensitive projects.

"The alternative to an EU approach to economic security is that our partners will pick and choose alliances, while less well-

intentioned players will seek to divide and conquer", states the document.

The main security risks for European economies have been recognised in four areas: the resilience of supply chains, including energy security, the physical and cyber security of critical infrastructure, regarding "leakage" of technologies, and the risk of exposure to economic dependence and coercion.

Reduce outsourcing to China

To avoid these risks or to reduce them to a tolerable level, the EU seeks to strengthen control over investments in its economies, in order to prevent the takeover of critical, strategic businesses and companies, and infrastructure.

Also, the Strategy seeks to establish stronger control over the export of sensitive technology and weapons, particularly over European investments in markets that pose a potential risk to the security of EU members.

These investments will be under scrutiny because companies from sectors that deal with security-risk products (AI, microchips, and super-computers) may, due to economic motives, outsource their production excessively, thus exposing it to risk.

The goal of this Strategy is to reduce the possibility that someone other than the EU and its companies have access to the supply chains of sensitive and critical products.

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In this way, the EU is catching up with the US and some member states, such as the Netherlands, which have already adopted national mechanisms to control the export of some advanced industry parts to "strategic competition".

Last October, the US unilaterally introduced restrictions on the export of advanced semiconductors and technology for their production to China for reasons of international security. Last January, the Netherlands and Japan joined this regime.

The EU is trying to catch up and ensure unity in the bloc, predicting that individual member states could be "easier prey" for Chinese resistance to such regulations than when a united 27-member bloc opposes it.

"If we do not act together, we are a playground for China. If we do act together, we are a player", said Margrethe Vestager, European Commission Vice-President at the presentation of the Economic Security Strategy.

Perhaps the most sensitive point of the new EU programme is, in addition to its slow adoption, is the tendency of some EU members to make one-on-one economic agreements with China rather than stick to joint policies.

This particularly applies to the largest and most influential EU members, such as France and Germany, whose trade relations with China dominate overall European trade.

The pressure from Beijing is definite

The European Economic Security Strategy comes at a time when Li Qiang, the new Chinese Prime Minister, is visiting Berlin and Paris, with economic topics dominating the meetings.

China has shown that it wants to respond harshly to new Western policies on the export restrictions and investments in modern technologies in the case of the US.

Last December, China initiated proceedings before the World Trade Organisation against the US and its new restrictions on trade in semiconductors.

Last March, the Netherlands and Japan received threats from China that they "will not simply swallow" their new restrictive policies regarding the export of high-tech technology to China, following the example of the US.

The EU will also be under similar pressure from Beijing over a new economic security strategy as it shores up Western solidarity in wariness of high-tech availability to Beijing.

But, with its entry into the joint front of control over the sharing of sensitive technologies, China must bear in mind that it is confronting its two by far largest trade partners - the US and the EU - and does not need a deeper conflict.