



Economic security strategies

Recommendations for the German Government and
the EU

DIHK

German Chamber of
Commerce and Industry

Imprint

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Strategies for economic security

Recommendations for the German Government and the EU

Geopolitical tensions and the growing strategic rivalry between the US and China are leading to an increasing politically motivated exploitation of economic dependencies worldwide. German companies are increasingly facing economic pressure, for example through risks relating to critical raw materials or the threat of trade policy measures – as was recently the case in connection with the Greenland crisis. These developments, as well as the energy crisis in the Middle East, highlight the need to significantly strengthen economic resilience in Europe.

The shift in the EU's approach towards a proactive stance on economic security is therefore right. In the interests of the German economy, Europe should be able to act as a sovereign player on the global stage in order to better safeguard its economic interests by reducing critical dependencies and minimising the risk of external blackmail. In emergency situations, this also involves playing European 'cards' in a more assertive manner. Measures leading to 'managed trade' – that is, more state-directed action – must, however, be viewed very critically from the perspective of the German economy. Changes to supply chains should remain within the scope of business autonomy. Strategies for economic security at European level and at the level of the German government should instead focus on strengthening trade partnerships to diversify supply chains and on supporting the economy to enhance its resilience. Defensive measures should remain a last resort.

All measures to enhance EU economic security based on the 'Promote, Protect, Partner' approach should be measured against the following guiding principles:

- **Advancing Partnerships**
European economic security must be conceived in collaboration with close partners. To this end, measures should be pursued in a manner that is as WTO-compliant as possible and without breaching bilateral agreements.
- **Strengthening competitiveness**
A resilient and competitive European economy requires reliable and predictable framework conditions. The reduction and harmonisation of reporting obligations, a cost-effective energy supply and efficient, transparent authorisation procedures are key prerequisites for this.
- **Ensuring proportionality**
Measures to strengthen economic security must be strictly risk-based and proportionate. Interventions in economic freedoms should be limited to clearly defined high-risk areas in order to safeguard security interests. A highly focused approach to sensitive technologies, such as semiconductors, biotechnology, artificial intelligence (AI) and quantum technologies, as well as other critical dependencies, are the way to go.

Fundamentals of Economic Security

Since the UN member states committed themselves in the 1970 'Friendly Relations' Declaration to refraining from any form of economic coercion, the world has changed fundamentally. Today, economic coercion – particularly through the exploitation of strategic dependencies – affects the German economy as a whole, for example in the area of critical raw materials. This trend is intensifying in the wake of growing strategic rivalry between the US and China.

The term 'economic security' is often misunderstood and is easily confused with 'economic protection', which aims to mitigate specific physical and digital security risks for businesses. Economic security, on the other hand, describes the ability of states and businesses to identify external economic risks at an early stage, reduce dependencies and safeguard their long-term economic capacity to act. For the European economy, which is increasingly monitoring geo-economic developments closely, economic security is therefore not a purely defensive measure, but a proactive task of shaping the future. An open, continuous and early exchange between politics, the established business community and companies is essential for this.

National economic security strategies of the EU Member States should be closely coordinated and enable the EU to act as a united and assertive actor globally. The aim is to create synergies and defend European economic interests.

Not all economic sectors affect external security: in 2021, the European Commission identified 137 products where the EU is exposed to strategic dependencies (6% of imports). For 34 products, these dependencies are particularly pronounced (0.6%) and are therefore critical. However, dependencies and economic interdependencies are context-dependent and must be assessed on a case-by-case basis. It is essential to clearly distinguish issues of national security from competition issues. All measures must be guided by the principle that the EU can act swiftly in an emergency. This must go hand in hand with well-considered long-term planning, particularly in areas where the EU lacks escalation dominance.

Although economic security is closely linked to economic transformation (hydrogen value chains, critical raw materials for the energy transition, etc.), the EU should not classify all net-zero key technologies¹ as security-relevant, but should instead focus on the most critical technologies such as AI, quantum computing, biotechnology and semiconductors.² Close, institutionalised dialogue between the German government and the European Commission with the business community is essential in this regard. The EU is dependent on technology transfers from many countries, particularly in the four risk technologies mentioned and in digitalisation across the entire value chain. To this end, significantly more comprehensive impact assessments should be carried out, analysing current and future dependencies on technology transfers from third countries beyond the specified technology fields, as well as outlining the economic costs of decoupling in these areas. The aim is to identify dependencies at an early stage and reduce them in a targeted manner. This will enable the EU to act more effectively in trade disputes in sensitive technology sectors and, in the best-case scenario, ward off economic coercive measures. To keep companies, and in particular start-ups, in critical sectors that are vulnerable to hostile takeovers within Europe, government monitoring processes and support measures could be considered.

In 2023, the European Commission set out the priorities of “Promote”, “Protect” and “Partner” in its economic security strategy. The following comments offer some insights into this, although from an economic perspective the order of priority needs to be changed and the “Partner” aspect should be given precedence.

PARTNER

To diversify supply chains and reduce strategic dependencies on goods and services, the EU should swiftly ratify existing trade agreements whilst simultaneously pushing ahead with ambitious new agreements with key partner countries. It is also necessary to deepen economic relations with the EU's neighbouring states. In addition, the conclusion of targeted raw materials and digital agreements, underpinned by concrete economic projects, is recommended. The EU needs a stable coalition with reliable strategic partners, particularly in emergency situations. Furthermore, partnerships should be taken into account in all policy areas, and European regulations should be designed to be compatible with those of global partners. “Made with Europe” would serve as the guiding principle here.

Global economic partnerships

Trade agreements can diversify supply chains and thus reduce strategic dependencies. The EU should therefore ratify the trade agreements with Mexico, Switzerland, India, Australia and Indonesia swiftly and as a matter of the highest priority, and negotiate ambitious agreements with Malaysia, Thailand, the Philippines and the Gulf States. The EU should also deepen its economic relations with neighbouring countries and those in Africa, such as the ECOWAS states, to promote their economic integration with the EU. In agreements, particular focus should be placed on SME-friendliness. Rules of origin that are as simple as possible and identical across all agreements, as well as freedom of choice regarding the required proofs of origin, would significantly reduce the administrative costs associated with utilising tariff benefits. Furthermore, there should be a greater focus on negotiating tailored agreements on raw materials and digital trade, underpinned by concrete, economically oriented projects – rather than striving for all-encompassing

¹ The EU regulation identifies 19 net-zero technologies, ranging from batteries to heat pumps.

² Individual companies are calling for broader coverage of sectors such as the automotive industry, renewable energy and mechanical engineering

trade agreements. New agreements should also provide for close cooperation in the area of economic security – for example, through early warning mechanisms and cooperation on critical raw materials.

In the view of the majority of businesses, the EU and its trading partners should, as far as possible, refrain from entering into agreements that breach existing WTO law and thereby contribute to the erosion of the multilateral trading system. In all bilateral negotiations, the EU should instead promote commitments to constructive cooperation within the WTO. As a rules-based community of states, the EU must defend the rule of law, on which the single market is also founded. This requires a coalition for free trade, which the EU should lead together with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). A 'standstill agreement', in which the participating countries commit to continuing to respect WTO law and principles such as most-favoured-nation treatment amongst themselves, and to refrain from applying non-compliant tariffs, would restore much-needed planning certainty to the economy.

PROMOTE

Resilient supply chains

German businesses are aware of the risks posed by strategic dependencies. However, dependencies in supply chains – whether relating to key intermediate goods, semiconductors, raw materials or technologies – cannot be eliminated overnight. This process requires time and the right framework conditions. Many companies are working intensively to diversify their supply chains. However, according to DIHK surveys, 85% of businesses face challenges in doing so.³ One in two companies reports difficulties in finding suitable suppliers to make their supply chains more resilient. At the same time, more than one in three companies cites high costs and regulatory issues as obstacles to diversification.

Adjustments to supply chains should, as a matter of principle, remain business decisions. The business community rejects state-managed trade. Instead, reliable and appropriate framework conditions are needed so that companies can build resilience and thus maintain their competitiveness. For instance, the relief measures and simplifications of bureaucracy and reporting obligations announced by politicians must be felt in business practice. To reduce dependencies, the necessary approval processes should also be digitised and accelerated. These improved processes, as envisaged in the Critical Raw Materials Act, RESourcEU or the EU Chips Act, must be implemented without delay.⁴ The provision of funding through RESourcEU is an important step, but there is a need for effective consolidation of the various funding schemes.

Industrial policy for resilience, competitiveness and digital sovereignty

Reliable and appropriate framework conditions form the foundation for a resilient and competitive German economy in Europe, particularly in the most critical technologies, such as semiconductors, biotechnology, AI and quantum technologies. Strengthening competitiveness and the business environment, particularly for SMEs, is therefore fundamental to economic security. This includes a reliable and affordable energy supply, accelerated approval procedures, a noticeable reduction in bureaucracy and practical funding instruments. The aim of a horizontal industrial policy should always be to intervene as little as possible in the market in order to prevent distortions of competition and supply chains and not to jeopardise international trade.⁵ Where the EU faces one-sided critical dependencies on other countries, clearly defined and targeted government measures can serve as useful supplements. In this context, a distinction must be made between security and industrial policy imperatives, particularly with regard to localisation obligations. Where the state intervenes in entrepreneurial freedom, such interventions must be well-founded, time-limited and based on a sound analysis and assessment.⁶ Accordingly, such interventions should be used only in a few exceptional cases. The aim of sound overall economic policy must be to improve domestic location factors, from which the economy as a whole benefits.

³ DIHK survey: AHK World Business Outlook <https://www.dihk.de/resource/blob/116962/7ee0d5f8fcb4bccc83a0fd4977a8263d/international-ahk-world-business-outlook-fruehjhr-2024-data.pdf>

⁴DIHK position paper "For a secure, affordable and sustainable supply of raw materials" <https://www.dihk.de/de/newsroom/eckpunkte-fuer-eine-zukunftsfeste-rohstoffstrategie-159528>

⁵ Certain sectors of the economy are calling for more proactive government action on raw material supply.

⁶ DIHK Local Content Paper: <https://www.dihk.de/resource/blob/166636/1bdc8828d23453cca8c80b8a0dc164c7/dihk-impuls-local-content-2026-data.pdf>

The German government's high-tech agenda sends a strong signal that Germany is to be restored to its position as a leading centre of research, with a view to strengthening digital sovereignty and resilience. This can only succeed if, on the one hand, bureaucracy that stifles innovation is reduced and, on the other, the business sector – particularly small and medium-sized enterprises – is more closely involved in research and practical application.

Strategic reserves

The EU's stockpiling strategy provides for the establishment of strategic reserves, including the creation of an 'EU Critical Raw Materials Centre' in 2026. The Centre is intended to facilitate joint raw materials procurement by EU companies and countries. Under the European Commission's REsourceEU strategy, the aim is to consolidate demand for raw materials in order to improve supply. However, determining demand for critical raw materials is already difficult, as parts lists reveal little about the processing stage required by companies – and neglect technological developments and shifts in demand. Furthermore, the current availability of production capacity outside China is very limited. This applies not only to raw materials, but also to downstream products and raw materials for medicines.

Government intervention, such as targeted stockpiling, would lead to price spikes without significantly improving the supply situation for the economy. Instead, consideration should be given to the extent to which the EU can organise purchasing consortia in certain sectors to pool demand, in collaboration with partners such as the G7 nations. To minimise the impact of supply shortages, many companies have already expanded their stockpiling. To support businesses, it should also be examined what prevents or restricts companies from stockpiling independently. Transport hubs such as ports are of particular importance for economic and supply security in Germany and the EU, not least with regard to strategic reserves. This is where the most promising starting points for decentralised state support measures for procurement and storage could be found.

PROTECT

Effective protective measures

The EU requires an effective set of tools and the consistent application of existing measures to prevent increasing economic coercion and to be able to defend itself in an emergency. All steps must be taken in close consultation with the business community and must be proportionate, reversible and as minimally invasive as possible. Unnecessary restrictions on trade should be avoided.

The establishment of a solidarity fund for businesses affected by economic coercion should be avoided. Such a fund could potentially even encourage third countries to use coercion tactics in a targeted manner. Furthermore, companies that have made their supply chains more resilient at considerable cost would be disadvantaged, whilst companies that have not diversified their supply chains in view of increasing risks would benefit (moral hazard). Instead, the EU should examine how it can counter economic coercion by third countries against EU companies, for example where production or technology is forced to relocate abroad.

Export controls

Export controls are gaining in importance worldwide as more and more states assert their geo-economic interests through controlled access to critical goods and technologies. Particularly in sectors such as semiconductors, AI, quantum technologies and critical raw materials, export controls are being used specifically to secure technological advantages or create strategic dependencies. Countries such as China or the US now apply such measures far beyond traditional non-proliferation objectives. For European companies, this means that a sudden halt in the supply of raw materials, intermediate products, software or machinery can abruptly disrupt global value chains, with immediate consequences for business models, location decisions and investments. The recent Chinese export control measures on critical raw materials and rare earths – some of which were introduced at very short notice – as well as the Nexperia case have highlighted just how significant these vulnerabilities are and how much pressure they can put on European companies.

At the same time, the international regulatory framework is lagging behind this development. The WTO system contains no multilateral standards for export licences, and its rules against export duties are sometimes difficult to enforce, while its transparency and notification requirements are weak. Many measures are reported late or not at all. Furthermore, the broad security exception in GATT Article XXI allows almost any export-related restriction to be justified on grounds of national security. As a result, export controls – particularly for sensitive technologies – are often applied in a non-transparent, inconsistent and unpredictable manner. This exacerbates legal uncertainty, destabilises international supply chains and jeopardises the economic resilience of European companies.

To mitigate these risks, a more rules-based international environment is needed. This includes higher standards of transparency, timely notification, clear obligations to provide justification, and international minimum standards for export licences. A voluntary 'Export Control Code of Conduct' could be a first step towards establishing transparency and procedural standards and limiting the excessive use of the security exception. Only a predictable, proportionate and transparent export control system protects both Europe's legitimate security interests and its economic capacity to act.

At the same time, export control procedures must also be made efficient and predictable at both European and national level. In practice, waiting times are prolonged when export applications have to be coordinated between ministries due to security checks. Such procedures often result in waiting times of several months and jeopardise the competitiveness of the companies concerned. What is therefore needed is a significant acceleration of these applications, the assurance of formal transparency towards applicants, and EU-wide harmonisation of regulations without additional 'gold-plating' by individual Member States. The business community should be involved at an early stage and systematically in the further development of export control regulations to ensure feasibility and legal certainty.

Furthermore, the EU should make it clear that extraterritorial re-export requirements imposed by partner states must be viewed critically, as they create legal uncertainty and may impair the legitimate business activities of European companies. The aim should be close international coordination based on multilateral standards to ensure reliable and workable framework conditions for cross-border transfers.

Revision of the EU Regulation on the screening of foreign direct investments (FDI Screening Regulation)

Open markets and international investments are key drivers of innovation and competitiveness in Europe. At the same time, investments from third countries in security-relevant sectors must be carefully assessed to ensure technological sovereignty and economic security.

In the business community, a more nuanced view of state intervention in foreign investment is now emerging. The majority of companies remain highly critical of comprehensive and far-reaching intervention. At the same time, recent geopolitical and geo-economic developments mean that certain risk-preventive measures are gaining in importance for some stakeholders. Overall, there is a growing understanding in some quarters that clearly limited and balanced interventions could play a more important role in the future, given the changing global landscape.

Clear and narrowly defined definitions, particularly of 'critical technologies', are crucial for the revision of the FDI Screening Regulation. An extension to greenfield investments is generally viewed critically, as these typically serve economic development and do not pose an immediate security risk. Similarly, investments in non-security-related sectors such as non-strategic infrastructure, consumer goods or services should not be subject to the screening requirement. Equally important is a harmonised approach within the EU to ensure legal clarity and a level playing field. Unilateral national measures should be avoided, as they create duplicate structures and additional uncertainties and can lead to market distortions between EU Member States. The business community is sceptical about linking foreign direct investment within the EU to specific industrial policy objectives, as this could jeopardise freedom of investment and competitiveness.

Monitoring of portfolio investments

The DIHK takes a critical view of the planned monitoring of portfolio investments in sectors classified as high-risk. Such monitoring must under no circumstances lead to over-regulation that hinders capital inflows and investment

into the EU and restricts entrepreneurial freedom. Should monitoring take place, it is important that it is based on a clear and narrow definition of high-risk investments.

Outbound investment screening

The vast majority of companies reject plans for an outbound investment screening (OIS) mechanism. Such a mechanism would constitute a massive interference on the free movement of capital and on corporate autonomy. The associated regulatory requirements would lead to additional administrative burdens and considerable uncertainty for businesses. The EU already has a wide range of existing instruments at its disposal to address economic security issues. Sanctions and export controls, for instance, make it possible to effectively prevent technology transfers to undesirable actors. These existing instruments should be consistently utilised and further developed, rather than creating a new, bureaucratically burdensome control mechanism that excessively interferes with companies' freedom in foreign trade.

The EU institutions and EU Member States should also refrain from setting up new authorities for enhanced monitoring. Past investments, portfolio investments, indirect investments and the mobility of skilled workers should be exempted from monitoring. A risk-based and EU-wide uniform approach to monitoring, which does not affect sensitive business data, is, however, to be welcomed.

Furthermore, there is a risk that an OIS could be misused for political or protectionist purposes to deliberately prevent or hinder foreign investment. Property rights, freedom of enterprise and the free movement of capital must be safeguarded both within the EU and in relation to third countries. These are fundamental elements for the attractiveness and functioning of the single market and should not be sacrificed for the sake of a broadly defined concept of security.

Should outbound investment screening nevertheless be introduced, the aim should be to achieve the greatest possible harmonisation with the approaches of trusted partner states.

Research security

International research cooperation is indispensable for the commercial sector because it enables joint work on global challenges such as climate change, health and energy, whilst also strengthening intercultural understanding and economic exchange. It also helps to translate research findings into marketable applications more quickly. At the same time, significant risks exist in the context of research security, particularly with regard to the potential transfer of intellectual property to third countries or the emergence of critical dependencies. The focus here is particularly on non-OECD countries such as China. In principle, measures should be designed to be as actor-agnostic as possible. Furthermore, they must not lead to new bureaucratic burdens or create unnecessary hurdles for international cooperation. Companies and research institutes should therefore, as a matter of principle, continue to be able to decide for themselves how to diversify their research and supply chain partners and reduce risks on their own responsibility. From the business perspective, awareness-raising measures and practical guidelines on research security are useful supplementary tools for this purpose. They can provide concrete support to research-oriented companies in assessing and managing risks and cooperation partners.

European and international cooperation

In principle, close coordination between the EU and key trading partners on economic security issues is important. In particular, the review of the Trade and Cooperation Agreement (TCA) with the United Kingdom in 2026 should be used to supplement a foreign policy chapter originally proposed by the EU in this regard. This would provide companies with greater planning and legal certainty regarding investment screening, export controls and sanctions.

Cooperation on economic security with other close partners, such as countries in the EU's neighbourhood and the Trans-Pacific Partnership, is also advisable. In this context, the focus should be particularly on analytical work. The EU should represent its own economic interests with confidence and in a united manner. In order to deter and counter the increasing use of economic coercion by third countries worldwide, the EU should push for a plurilateral WTO declaration on the renunciation of economic coercion. The declaration should also include a ban on the targeted withholding of products that are of fundamental importance to other states and cannot be substituted, such as food, medical products, energy sources and raw materials. The inflationary use of trade restrictions, justified by invoking the GATT Article XXI exception for national security, must be curbed.

Anti-Coercion Instrument (ACI) and trade defence measures

Since 27 December 2023, the EU has been able to apply the Anti-Coercion Instrument (ACI). The ACI is primarily intended to serve as a deterrent. Should no solution be found in conflict situations despite dialogue, the EU may, as a last resort, take countermeasures – for example regarding access to the single market, capital markets, research funding or intellectual property – to persuade the third country to abandon the coercive measures. Within the multi-stage ACI process, which spans several months, there are various opportunities to reach an agreement with the third country concerned. The business community should be closely involved in this process.

Due to the rise in economic coercion, the ACI is currently receiving greater attention. From the perspective of the German business community, the use of the ACI should, in principle, remain a last resort. In the event of potential application, concerted action by EU Member States and a careful assessment of the economic consequences are essential. Certain measures, such as the exclusion of third-country companies from EU funding programmes or public procurement, carry a lower risk of trade escalation and supply chain problems than, for example, the revocation of patents or the imposition of export and capital controls.

The majority of the German business community does not share the calls for the introduction of additional instruments beyond the ACI. The ACI already offers a wide range of options for action. The EU's trade defence instruments serve to establish fair conditions of competition where dumping practices or subsidies are causing harm to the affected EU producers. Security policy considerations regarding these instruments should be limited to very specific individual cases to safeguard the EU's strategic autonomy and must be weighed very carefully against the Union's interests. The DIHK considers the extraterritorial application of measures by third countries to be unacceptable. The fundamental idea of reviewing the Blocking Statute is therefore correct and to be welcomed. However, numerous questions regarding practical implementation remain unanswered.

Who we are:

The German Chamber of Commerce and Industry (DIHK) is the umbrella organisation of the 79 Chambers of Commerce and Industry (IHKs) in Germany. Together, they represent the interests of more than three million companies from industry, trade and services – from small local businesses to globally active corporations. Their shared objective is to ensure the best possible conditions for successful business.

At the national level, the DIHK consolidates the positions of the IHKs through a formal, statutory-based process. It represents the overall interests of the German business community vis-à-vis policymakers, public authorities and the wider public. At both the federal and European levels, the DIHK advocates for competitive framework conditions, including reduced bureaucracy, open markets and modern infrastructure.

The DIHK serves as a platform for the diverse perspectives of its member companies. Its analyses and statements reflect a broad range of views, including minority positions, in order to provide policymakers with a comprehensive and balanced picture. In this way, the DIHK contributes to informed and credible economic policy debates in Berlin and Brussels.

Entrepreneurs play a central role in shaping the DIHK's positions through their engagement in statutory and voluntary bodies such as general assemblies and committees. Their work is supported by more than 200 staff members in Berlin and Brussels. The DIHK's Chief Executive Officer, appointed by the General Assembly, is responsible for day-to-day operations.

In addition to its national role, the DIHK coordinates a global network of more than 150 German Chambers of Commerce Abroad (AHKs), delegations and representative offices in over 90 countries, supporting German businesses worldwide.