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The Current Global Regulatory and Investment Environment – The OECD Countries' Perspective on Economic Security

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About CELIS Non-Papers

The CELIS Non-Papers on Economic Security is an occasional papers series published by the CELIS Institute gUG, Berlin, offering expert analyses and insights into pressing issues at the intersection of economic security, open markets, and competitiveness. Authored by scholars and practitioners, these non-papers delve into topics such as investment screening, supply chain vulnerabilities, foreign subsidies, sanctions, energy security, and other areas of economic security, providing thought-provoking perspectives to inform policy and practice.

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CFIS 24 Panel 1

The Current Global Regulatory and Investment Environment – The OECD Countries' Perspective on Economic Security

by Dominika Pietkun

A. Introduction

CFIS Investment Screening and Economic Security 2024 (CFIS 24)[1] brought together a diverse panel of experts to discuss the regulatory and investment challenges from the perspective of economic security. The first panel, titled "The Current Global Regulatory and Investment Environment: The OECD Countries' Perspective on Economic Security",

[1] Home CFIS 24 - CELIS Institute - Investment Screening | National Security | Competitiveness.

featured experts from four OECD members, i.e. the United States, the United Kingdom, France and Chile.

The discussion covered aspects such as: (i) how to understand economic security and what are the threats to economic security from the perspective of OECD countries, (ii) whether economic security can only be protected based on national security considerations and how to respond to the necessity of cooperation, as today's economic security issues require collective action, (iii) what the future of economic security regulations might look like, and (iv) where the balance lies between security and growth.

This non-paper summarizes the panel's main insights and indicates strategic directions in the field of economic security.

B. Executive Summary of Key Takeaways

The CFIS 24 panel on "The Current Global Regulatory and Investment Environment" provided insights into the varied approaches to economic security among OECD nations, shaped by each country's unique economic structures and strategic priorities. Key takeaways included:

Diverse definitions of economic security: economic security lacks a universal definition and is increasingly recognized as a multi-dimensional and fluid concept, with perspectives shaped by each country's economic dependencies and priorities, from resource-based security to protection of technologies and innovation.

Core threats: major threats to economic security, identified during the panel, included supply chain vulnerabilities, intellectual property theft, covert acquisitions, and the systemic risks from interdependence within global economies.

Need for international cooperation: With economic security threats crossing borders, discussions highlighted the importance of collaborative strategies. Aligning FDI screening mechanisms and intelligence-sharing are seen as essential to closing gaps in national frameworks.

Balancing economic growth with security considerations: Balancing growth and security involves challenging decisions, especially in meeting climate commitments amid global reliance on critical minerals, largely sourced from regions like China.

C. Panel Discussion Overview

I. Redefining economic security and the threat landscape

At the very beginning of the panel, it was highlighted that economic security is a fluid concept. A wide range of circumstances shape how it is perceived, which, in turn, influences what is considered a threat. What resonated strongly in the discussion was that, while among OECD countries economic security is a shared priority, each country defines and addresses it differently. The United States, the United Kingdom, and France align more often, whereas Chile's perspective remains slightly different.

For the most developed OECD countries, economic security challenges primarily centre on maintaining competitive advantage and protecting critical technologies[2]. This focus aligns with recent OECD data showing substantial FDI inflows into high-tech and infrastructure sectors – areas that attract both supportive and adversarial foreign investments[3]. A growing concern among these countries is the way foreign adversaries leverage open economies to advance their security or military objectives, using trade and investment channels to access and appropriate innovation.

Supply chain vulnerabilities, especially in sectors essential to technology and critical commodities, represent another major threat. The COVID-19 pandemic underscored the interconnectedness of global supply chains, highlighting the need to secure these networks to safeguard both economic and national stability[4].

Technological security and intellectual property theft also pose significant risks, with OECD countries increasingly vulnerable to covert strategies aimed at capturing sensitive research and technology through foreign investments. Further, both overt and covert tactics by state-backed actors are attempting to gain access to critical technologies.

Chile's unique position as an OECD member without a formal FDI screening mechanism brought a different perspective to the panel and sparked discussions on how the country can benefit from observing international models and approaches. Chile, with its substantial reserves of strategic resources like lithium and green

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[2] See for example: OECD (2024), OECD Economic Outlook, Volume 2024 Issue 1, No. 115, OECD Publishing, Paris, available at: https://doi.org/10.1787/69a0c310-en, access on: 11 November 2024.

[3] For details please see: OECD (2024), *FDI in Figures – October 2024*, available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/10/fdi-in-figures-october-2024_faad0bae/fcdc2fb2-en.pdf , access on 11 November 2024.

[4] See for example: International Labour Organization (ILO). (2020). *The effects of COVID-19 on trade and global supply chains*. ILO Research Brief, June 2020. Geneva, Switzerland: International Labour Organization. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_746917.pdf, access on: 11 November 2024.

hydrogen, is aware of the need to address economic security considerations in these sectors. But this approach contrasts with that of most developed countries, particularly in the US, the UK and the EU, where comprehensive FDI screening mechanisms are already established and actively used to protect critical industries and technologies. A notable example of the diversity in priorities among countries is evident in the sectors they designate as critical to their economic security. While resource-rich nations like Chile focus on natural resources like lithium and green hydrogen, developed economies such as the US, the UK and members of the EU place particular emphasis on safeguarding advanced technologies, infrastructure, intellectual property, and innovation. This difference illustrates the broad spectrum of what constitutes a key sector for economic security, always shaped by each country's unique resources, industrial landscape, and strategic priorities.

There is also another interesting aspect of this part of the discussion: once we identify what falls under the scope of economic security and what constitutes a potential threat, the question arises as to where such a threat could come from. In other words, what are the countries of concern? In response to these questions, the participants quickly agreed that the threat landscape extends beyond any single country or region. Although currently much focus is often placed on China, risks arise from a variety of global actors. This multifaceted threat environment gives rise to the need for a comprehensive approach to economic security, encompassing both defensive strategies and collective action through platforms such as the OECD. Although there was general agreement at this point, the perspective from Chile particularly highlighted the importance of balancing economic openness with security concerns. Despite China remaining Chile's primary trading partner[5], the increasing flow of Chinese investment introduces new considerations regarding national interests. An example of Chile emphasized the need for international cooperation and the importance of exchanging experiences between OECD members' to effectively manage these challenges while maintaining an open and attractive investment climate.

In summary, this part of the discussion highlighted the complexity of economic security within the OECD, revealing how diverse national priorities and resources shape each country's approach. As one of the participants concluded: "where we have 50 people, we have 50 definitions of economic security", underscoring the challenge of establishing a universally applicable framework. For developed economies, economic security often centres on protecting advanced technologies and infrastructure,

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[5] See for example: Raza, W., & Grohs, H. (2022). *Trade aspects of China's presence in Latin America and the Caribbean*. Policy Department for External Relations, Directorate General for External Policies of the European Union. European Parliament, available at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/702572/EXPO_BRI(2022)702572_EN.pdf, access on: 11 November 2024.

whereas resource-rich countries like Chile emphasize safeguarding critical natural resources. This diversity highlights the need for flexible, context-specific frameworks that can adapt to varying economic landscapes and strategic imperatives. Given this diversity, participants recognized that economic security cannot be achieved in isolation. Instead, effective protection of shared economic interests will require a coordinated, collaborative approach. This naturally leads to the broader question of how nations can balance their national sovereignty with the need for international cooperation.

II. Balancing national sovereignty and global cooperation

A central question raised in the panel was whether economic security equals to national security, with, as already mentioned above, each country defining its security parameters based on its unique priorities and regulatory frameworks.

For example, in the European Union, for decades economic security was largely left to the discretion of individual member states. It must be highlighted, after all, that the time in which the panel discussion took place, October 2024, marked only four years of application of the EU FDI Screening Regulation[6], which is the first regulation concerning this area introduced at EU level. This decentralized approach has led to varied interpretations and implementations of FDI screening policies across Europe, with countries like France establishing complex robust mechanisms[7], while others have yet to implement comprehensive frameworks[8]. As highlighted in the discussion, this fragmentation poses challenges for the EU's ability to create a unified economic security front, and while efforts are underway, participants noted that harmonization across the EU member states will be a gradual and complex process. The so-called "Draghi report's" emphasis on coordinated EU action highlights the need for harmonized FDI standards to safeguard strategic sectors[9]. This is particularly

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[6] Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, PE/72/2018/REV/1, OJ L 79I, 21.3.2019

[7] Bencivelli, L., Faubert, V., Le Gallo, F., & Négrin, P. (2023). *Who's Afraid of Foreign Investment Screening?* Working Paper No. 927, Banque de France, available at: https://www.banque-france.fr/system/files/2023-11/DT927.pdf

[8] European Commission. (2024). *Fourth Annual Report on the screening of foreign direct investments into the Union.* COM(2024) 464 final. Brussels. Retrieved from https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2024)464&lang=en.

[9] European Commission. (2023). The future of European competitiveness: A competitiveness strategy for Europe. Report prepared by the High-Level Group on the Future of European Competitiveness, chaired by Mario Draghi. Available at: https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf, access on: 11 November 2024.

important as EU member states aim to balance maintaining openness to foreign investment with protecting their national security interests.

As the discussion evolved, participants emphasised the critical importance of international cooperation to address the increasingly transnational nature of economic security threats. The conclusion was that while over the last ten years many OECD countries have strengthened their FDI screening frameworks[10], national mechanisms alone are inadequate to counter sophisticated, cross-border threats. One panellist remarked that no single country's screening framework can safeguard economic security entirely, explaining that adversarial actors can exploit weaker protections in other countries to bypass even the most stringent national measures. This "international collective action problem", as it was called during the panel, highlights the need for platforms like the OECD to facilitate cooperation and ensure that regulatory gaps do not become entry points for hostile actors.

The OECD's role in fostering cooperation among its members was discussed as a useful asset for creating unified strategies that address shared economic security challenges beyond individual national interests. Recent OECD data points out the need for coordinated measures, particularly as advanced economies face heightened risks of technological theft and supply chain vulnerabilities[11]. Such cooperation would involve sharing intelligence on high-risk investments and working toward a level of standardization in FDI screening where possible. Participants suggested that platforms like the OECD could provide a valuable foundation for these efforts, enabling countries to align on best practices and develop mutually reinforcing security standards. The OECD provides a useful space where countries can engage in dialogue about their specific threats, share insights on changing tactics used by adversarial actors, and work on narrowing these policy discrepancies. Despite the benefits of a harmonized approach, Participants acknowledged that differences between countries, even within the OECD, may complicate efforts to establish fully aligned economic security frameworks.

III. Sector-specific screening and other regulatory mechanisms

Further, the panel discussion examined how economic security threats influence sector-specific FDI screening policies across OECD countries.

[10] OECD. (2024, November 6). *OECD FDI Data Shows Impacts of Regulation on Investment Flows*. OECD Insights Blog. Available at: https://www.oecd.org/en/blogs/2024/11/oecd-fdi-data-impacts-regulation.html, access on: 11 November 2024.

[11] OECD. (2024, November 6). *OECD FDI Data Shows Impacts of Regulation on Investment Flows*. OECD Insights Blog. Available at: https://www.oecd.org/en/blogs/2024/11/oecd-fdi-data-impacts-regulation.html, access on: 11 November 2024.

Initially, the discussion focused on the US, where recent years have seen an increasingly assertive approach to investment screening, primarily through the expanded role of the Committee on Foreign Investment in the United States (CFIUS). CFIUS now monitors a broader range of transactions, including "non-notified" deals that may pose hidden security risks. Enhanced due diligence has become a priority, with US authorities examining the financial and structural aspects of transactions more deeply to identify potential risks. A recent development is the exploration of outbound investment screening, which is still in early stages. This mechanism aims to prevent US investments from indirectly transferring critical technology to countries of concern. Outbound screening complements CFIUS and is designed to address specific national security threats without excessive regulatory reach[12].

France has also intensified its FDI screening, particularly to protect sectors like advanced technology, critical infrastructure, and other strategic assets. The French approach includes monitoring minority stakes, recognizing that even small equity acquisitions can influence sensitive industries[13].

This aligns with the broader EU objective of safeguarding strategic assets while balancing the need for foreign investment. According to the European Commission's latest reports, FDI screenings across the EU increased significantly from 2020 to 2024, with notable growth in cases related to technology and critical infrastructure[14]. Approximately 50% of screenings in the EU now involve sectors with potential national security implications, particularly advanced technology, data infrastructure, and defence[15]. This trend indicates a collective recognition within the EU of the need to secure strategic sectors from foreign influence, particularly as investment flows continue to rebound post-pandemic. The OECD's recent FDI data further complements this perspective, showing that OECD countries increasingly prioritize screenings within

[12] For more details, please see the post-conference non-paper for Panel 4.

[13] French Treasury. (2023). *Rapport sur le contrôle des investissements étrangers en France - 2023* [Report on Foreign Investment Control in France - 2023]. Available at: https://www.tresor.economie.gouv.fr/Articles/c7ec36f3-6df0-4cf8-82aa-9c772917afeb/files/83865cf0-0ecd-4684-badf-3e39fa6bb833, access on: 11 November 2024.

[14] European Commission. (2024). *Fourth Annual Report on the screening of foreign direct investments into the Union.* COM(2024) 464 final. Brussels. Available at: https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2024)464&lang=en, access on: 11 November 2024.

[15] European Commission. (2024). *Fourth Annual Report on the screening of foreign direct investments into the Union.* COM(2024) 464 final. Brussels. Available at: https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2024)464&lang=en, access on: 11 November 2024.

high-tech, infrastructure, and resource sectors[16]. This shift reflects a growing emphasis on ensuring technological and intellectual property security across member countries.

In the UK, FDI screening has focused on balancing national security with the country's open investment environment, especially post-Brexit. The UK's National Security and Investment Act[17], introduced in 2021, allows the government to review and, if necessary, block investments that pose a security risk. This legislation underscores the UK's commitment to maintaining sovereignty over key sectors, especially those related to advanced technology and critical infrastructure, while remaining competitive and open for business.

Chile's approach to FDI screening reflects its unique position as an OECD member without a formalized screening mechanism. While Chile's primary focus has traditionally been economic openness, recent discussions suggest that the country is evaluating strategic resources, such as lithium and green energy, through a lens of economic security[18]. During the conference Chile's representatives emphasized learning from OECD models and adapting strategies to protect these sectors, which are critical both domestically and globally.

In conclusion, the panel emphasized that effective economic security strategies should be adaptable to both national priorities and sector-specific risks. As FDI screening evolves, countries are increasingly adopting tailored approaches to protect key industries, whether technological, resource-based, or infrastructural. These frameworks aim to secure national interests while fostering economic growth, highlighting the delicate balance between openness to investment and the protection of critical sectors.

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[16] OECD. (2024, November 6). *OECD FDI Data Shows Impacts of Regulation on Investment Flows*. OECD Insights Blog. Available at: https://www.oecd.org/en/blogs/2024/11/oecd-fdi-data-impacts-regulation.html, access on: 11 November 2024.

[17] For more details please see: UK Government. (2024). *National Security and Investment Act: Guidance and information*. Available at: https://www.gov.uk/government/collections/national-security-and-investment-act#:~:text=The%20NSI%20Act%20gives%20the,do%20business%20in%20the%20UK, access on: 11 November 2024.

[18]See for example: U.S. Department of State. (2024). *2024 Investment Climate Statements: Chile*. Available at: https://www.state.gov/reports/2024-investment-climate-statements/chile/#:~:text=Chile%20does%20not%20have%20an,possibly%20by%20sector%2Dspecific%20regulators, access on: 11 November 2024; and United Nations Conference on Trade and Development (UNCTAD). (n.d.). *Chile launches a new national strategy for lithium*. Available at: https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4305/chile-launches-a-new-national-strategy-for-lithium, access on: 11 November 2024.

IV. Balancing economic growth with security considerations

The participants emphasized the need to balance economic growth with rigorous security measures, recognizing that while robust FDI screening mechanisms are crucial, they should not stifle beneficial investments that drive innovation and economic advancement. As highlighted during the discussion, maintaining this balance is essential, particularly as advanced economies recover in greenfield investments while emerging markets face declines. This trend emphasizes the importance of crafting an investment-friendly environment that simultaneously protects national interests.

To achieve this balance, participants advocated for a flexible, adaptive regulatory framework that allows for case-by-case assessments of FDI risks. This approach aligns with the OECD's recommendations in the Future of European Competitiveness report, which calls for a regulatory environment that supports growth, particularly in high-potential sectors such as renewable energy. Participants agreed that growth and security are not mutually exclusive; rather, an adaptable, secure investment landscape can foster technological progress while shielding critical assets from potential threats.

One of the participants illustrated the delicate balance needed between sovereignty and economic growth, noting that "there's no sovereignty without businesses". This sentence underscores the challenge of managing FDI regulations that protect national interests while ensuring access to capital, particularly for small and medium-sized enterprises that may be more vulnerable to regulatory barriers. Another participants added that security and growth are interdependent: "one cannot have growth without security", and pursuing short-term economic gains at the expense of security could lead to dependency and longer-term vulnerabilities.

As the participants discussed, balancing growth and security also involves challenging decisions, particularly when considering climate commitments and the global demand for critical minerals – many of which are concentrated in specific regions such as China. Addressing economic security while pursuing net-zero goals requires nuanced trade-offs, with difficult risk assessments around critical supply chains, particularly for renewable energy components.

The conversation further highlighted the cost implications of FDI screening for businesses. While governments aim to mitigate national security risks, they also face pressure to keep compliance costs manageable for companies. As an example, the participants discussed efforts within CFIUS to tailor screening interventions narrowly to avoid undue burdens on business operations and innovation. This reflects an ongoing effort to make national security determinations without excessively impacting the US investment landscape.

D. Conclusions

The CFIS 24 panel on "The Current Global Regulatory and Investment Environment: The OECD Countries' Perspective on Economic Security" highlighted both shared and divergent approaches to economic security within OECD countries. As discussed, economic security is increasingly recognized as a multi-dimensional and fluid concept that demands flexible policy responses tailored to each country's economic structure and strategic priorities. For the most developed OECD economies, this involves a pronounced focus on safeguarding advanced technologies, critical infrastructure, and intellectual property. In contrast, other OECD countries prioritize resource-based sectors, such as lithium and green hydrogen, underscoring the diversity in what constitutes "key sectors" for economic security.

During the panel it was emphasised that sector-specific FDI screening mechanisms are now essential tools in protecting national interests without stifling economic growth. Countries are moving toward adaptive, case-by-case assessments within these frameworks, aiming to respond to evolving threats while maintaining a favourable investment climate.

International cooperation was another recurring theme, with the participants recognizing that no single country can address economic security in isolation. The OECD's role in fostering collaborative frameworks and information-sharing was cited as a crucial asset, helping member countries mitigate vulnerabilities inherent in today's interdependent global economy. By aligning regulatory approaches, OECD countries can better protect against adversarial actors that might exploit inconsistencies between national frameworks.

In addition, the panel briefly touched upon how evolving political landscapes, including recent US elections, might impact the trajectory of economic security priorities within the OECD. This dynamic political environment reinforces the need for agility in policymaking, as shifting agendas may redefine economic security imperatives.

In summary, the CFIS 24 panel demonstrated that OECD countries are increasingly focused on harmonizing economic security policies with growth objectives. As they pursue this delicate balance, national and collective efforts to protect critical industries must be both resilient and adaptable. The insights from this panel indicate that a nuanced approach – one that respects national sovereignty while leveraging the benefits of international cooperation – will be vital to securing economic stability and competitiveness in an interconnected world.

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The views expressed in this White Paper are solely those of the author(s) and do not necessarily reflect, nor can they be attributed to, the panel members, chair, or any other participant in CFIS 24, or the CELIS Institute. This document represents the discussions as recorded and interpreted by the panel sherpa.

Panel members were Adam Vaccaro (Director, Office of Investment Security, U.S. Department of Commerce, Washington, D.C.), Andrew Preston (Deputy Director, Investment Security and Organised Crime, British Foreign Commonwealth and Development Office, London), Joffrey Celestin-Urbain (Director, Strategic Information and Economic Security Department, French Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Paris), Rodrigo Monardes (Head of International Affairs, International Finance and Affairs Division, Ministry of Finance of Chile, Santiago). The Panel was chaired by Jacopo Dettoni (Editor of fDi intelligence, Financial Times, London). Panel Sherpa was Dominika Pietkun (CELIS Institute).

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