

Nine Check Items for the G7 Summit Highlighted by the Institute of Geoeconomics

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The Institute of Geoeconomics, in association with think tanks from across the G7 member states and in consultation with embassy officials from many of the G7 and EU member states in Tokyo, has initiated a discussion on the critical issue of economic security.

The concept of economic security is interpreted in various ways among the G7 members. Some states understand economic security as protecting supply chains from intentional economic coercion, and others emphasize unintentional disruptions from, for example, natural disasters; some states promote the screening of inward investment, and others may see that the screening of outward investment is also important.

But in all cases, economic security is understood as measures designed to mitigate the risks of disruptions to economic order. G7 members are facing serious challenges resulting from the “weaponization of interdependence” and disruptions to global supply chains. Although it is imperative for G7 member states to secure the wellbeing of their own economies, extreme measures for mitigating risks would damage the stability of the international trade and financial order. The concept of “de-risking”, instead of “de-coupling”, may be an appropriate response under current economic security situation. Furthermore, it is crucially important to emphasize that economic security cannot be achieved through unilateral actions but through cooperation among friends and allies with trusted economic networks.

What follows below is a checklist of action items necessary to promote economic security. It is designed to ensure that these items will be discussed at the G7 summit meetings in order to develop a common understanding of collective and individual actions by G7 members.

Item 1:

Economic security measures shall be consistent with the “rules-based international order”

G7 members have committed to the “rules-based international order” in order to build a safe and secure world and to prevent disruptions from potential rule-breakers. By that token, measures taken for economic security shall also respect the rules and principles of free trade.

Item 2:

Establishing “trusted networks of supply chains” shall be the aim among the G7 members for improving supply chain resilience.

One of the main objectives of economic security is to improve preparedness for any risks that may disrupt supply chains. For mitigating such risks, the best course of action is to establish a network of supply chains with trusted vendors from like-minded countries. G7 members can provide such a “trusted network” that will contribute to the diversification of supplies.

Item 3:

Close consultation and consensus-building with the business community are required for implementing economic security measures.

While economic security measures may conflict with the interests of business community, such conflicts may ultimately undermine the effectiveness of any measures. As a result, there should be close consultation with the business community on economic security measures along with a consensus-building process to ensure effective implementation.

Item 4:

Items or technological transfers subject to export controls should be limited to the minimum amount necessary to improve security and members should establish a standard for launching and implementing such measures.

Even if measures such as these are essential for national and economic security, the concept of “small yard, high fence” is important in order to limit the impact of such measures to the minimum level necessary in order to avoid adverse impacts on the economies of G7 member states. There should be a minimum standard established for launching and implementing economic security measures in order to improve predictability and avoid unintended consequences.

Item 5:

Screening investment shall be conducted with a consideration of the level of trust.

Investment screening is an effective measure to prevent transfer of technology through mergers and acquisitions. However, the process of screening may not be conducted uniformly in all cases. G7 members can take different measures when an investment is done by other G7 members or similarly trusted economies that have lower risks for technology transfers.

Item 6:

Economic security measures shall not harm the Global South.

G7 members shall explicitly state that economic security measures are limited to the purposes of national security and for strengthening supply chain resilience. Concurrently, it shall be emphasized that economic security measures are not intended to harm or disrupt economic relationships with the economies of the Global South. Instead, G7 members shall provide technical assistance, such as satellite imagery analysis, to improve these economies' awareness of the importance of economic security.

Item 7:

The aims and objectives of economic security measures shall be clearly stated when they are employed.

Stating the aims and objectives of economic security measures would provide a clear indication of when such measures would end and when a return to normal economic relations could be expected.

Item 8:

If a state decides to launch economic security measures, relevant states shall be consulted on these measures prior to the launch with sufficient time for coordination.

As in the case of U.S. export control measures for advanced semiconductors and related technologies, it is difficult to launch economic security measures unilaterally. Therefore, any such measures require consultation with relevant states in order to improve the effectiveness of those measures.

Item 9:

Economic security measures may be launched in response to coercive measures by other states. In such cases, G7 member states should take all necessary measures to support states targeted by economic coercion.

Economic security measures are a legitimate response to economic coercion and may be supported by collective measures from G7 states to demonstrate solidarity, improve the efficacy of countermeasures, and to serve as a deterrent signal against economic coercion. Such countermeasures or any other coercive means shall be employed with a clear purpose and objective that are consistent with the rules and principles of free trade.