

Navigating Economic Security in Uncertain Times – Key Strategic Issues for OECD Countries

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As the global regulatory and investment landscape continues to evolve, OECD countries face a multitude of economic security challenges that demand urgent attention. With geopolitical tensions, shifting economic dynamics, and technological advancements reshaping the world, it is crucial for policymakers, investors, and stakeholders to address the most pressing strategic issues over the next years. This issue note outlines three critical strategic issues that warrant focused discussion at the upcoming CFIS 24 conference, providing insight into why these issues are paramount and how they impact the economic security of OECD countries.

Resilience of Global Supply Chains

Overview: The COVID-19 pandemic exposed significant vulnerabilities in global supply chains, with disruptions impacting everything from pharmaceuticals to electronics. As geopolitical tensions and natural disasters continue to threaten supply chain stability, ensuring resilience has become a strategic priority for OECD countries.

Why It Matters: The interconnected nature of global supply chains means that disruptions in one region can have cascading effects worldwide. For OECD countries, maintaining the flow of critical goods and services is essential for economic stability and growth. The ongoing war in Ukraine and instability in the Middle East have further highlighted the fragility of supply chains, emphasizing the need for robust strategies to mitigate risks.

Strategic Focus:

- **Diversification and Localization:** OECD countries need to diversify their supply sources and consider localizing critical production to reduce dependency on volatile regions. Initiatives like the CHIPS Act in the United States and strategic stockpiling in the EU are steps in this direction, but further action is needed to build more resilient supply networks.



- **Technological Integration:** Investing in advanced technologies such as blockchain and AI can enhance supply chain visibility and predict potential disruptions. Collaboration with the private sector to develop innovative solutions will be crucial.
- **Public-Private Partnerships:** Strengthening public-private partnerships can facilitate better coordination and information sharing, helping to address supply chain vulnerabilities more effectively.

Discussion Points:

- What specific policies and incentives can OECD countries implement to encourage supply chain diversification and localization?
- How can technology be leveraged to improve supply chain transparency and resilience?
- What role should international organizations and trade agreements play in supporting supply chain security?

Managing Energy Security Amidst Transition

Overview: Energy security remains a critical concern as OECD countries transition to renewable energy sources while managing their dependence on fossil fuels. Geopolitical conflicts, particularly involving major energy producers, have underscored the need for a balanced approach to energy policy.

Why It Matters: Energy security is vital for economic stability, affecting everything from industrial production to household energy costs. The transition to renewable energy presents both opportunities and challenges. Countries need to manage this transition carefully to ensure that energy supplies remain stable and affordable while reducing carbon emissions.

Strategic Focus:

- **Balancing Transition and Security:** OECD countries must navigate the dual goals of transitioning to renewable energy and maintaining energy security. This includes investing in energy storage technologies and diversifying energy sources to reduce reliance on unstable regions.
- **Infrastructure Investment:** Upgrading energy infrastructure, including the development of smart grids and investment in new energy technologies like hydrogen, will be essential for achieving a secure and sustainable energy future.



- International Cooperation: Collaborative efforts, such as those through the International Energy Agency (IEA), can support member countries in developing coordinated strategies for energy security and sustainability.

Discussion Points:

- How can OECD countries effectively balance the transition to renewable energy with the need to maintain energy security?
- What are the most promising technologies for energy storage and infrastructure development?
- How can international collaboration be enhanced to address global energy security challenges?

Navigating Cybersecurity Threats

Overview: As digital transformation accelerates, cybersecurity threats have become increasingly sophisticated, targeting critical infrastructure, financial systems, and governmental institutions. Protecting against these threats is essential for safeguarding economic security.

Why It Matters: Cybersecurity breaches can have severe economic and reputational impacts. The rise of cyber-attacks, combined with the growing digitalization of economic activities, makes cybersecurity a top priority for OECD countries. Effective cybersecurity measures are crucial for protecting sensitive data, maintaining public trust, and ensuring the integrity of financial and economic systems.

Strategic Focus:

- Strengthening Cyber Defense: Investing in advanced cybersecurity technologies and improving defenses against cyber-attacks is critical. OECD countries should enhance their capabilities to detect, respond to, and recover from cyber threats.
- Promoting Best Practices: The OECD's Recommendation on Digital Security Risk Management provides a framework for managing cybersecurity risks. Adopting and implementing these best practices across sectors can improve overall cyber resilience.
- Fostering International Collaboration: Cyber threats are global in nature, requiring international cooperation for effective responses. Strengthening global partnerships and information sharing on cyber threats can enhance collective security.



Discussion Points:

- What measures can OECD countries take to improve their cybersecurity defenses and resilience?
- How can best practices for digital security be more widely adopted across different sectors?
- What are the most effective strategies for international collaboration on cybersecurity?

Trade Tensions and the Rise of Protectionism vs. Promotion of Free Trade

Overview: The rise of protectionism and trade tensions poses significant challenges to the principles of free trade that underpin the global economy. Recent years have seen an increase in tariffs, trade barriers, and unilateral trade policies, which threaten to disrupt international trade and economic cooperation.

Why It Matters: Trade is a critical driver of economic growth and development. Protectionist measures can lead to trade wars, reduce market access, and hinder economic performance. For OECD countries, promoting free trade is essential for maintaining economic security, fostering innovation, and ensuring access to global markets.

Strategic Focus:

- **Balancing Protectionism and Openness:** OECD countries need to find a balance between protecting domestic industries and promoting free trade. This involves negotiating trade agreements that are fair and equitable while safeguarding national interests.
- **Enhancing Trade Policies:** Developing coherent and consistent trade policies that reduce barriers and facilitate smoother international trade can help counter the adverse effects of protectionism. The OECD's FDI Regulatory Restrictiveness Index and related analyses provide valuable insights for shaping these policies.
- **Strengthening Multilateral Trade Systems:** Supporting and reforming international trade organizations such as the World Trade Organization (WTO) can help ensure that trade disputes are resolved fairly and that trade rules are upheld.

Discussion Points:

- How can OECD countries balance the need for economic protectionism with the imperative of maintaining open and fair trade practices?



- What role can the OECD play in mediating trade disputes and promoting multilateral trade agreements?
- How can trade policies be designed to benefit both advanced and developing economies?

Conclusion

The economic security of OECD countries is increasingly challenged by a complex array of issues, from supply chain vulnerabilities to energy security and cybersecurity threats. Addressing these strategic issues is crucial for ensuring resilience and stability in a rapidly changing global environment. The upcoming October 2024 conference provides a vital opportunity for stakeholders to engage in discussions, share insights, and develop actionable strategies to navigate these challenges effectively.

By focusing on these pressing issues, OECD countries can better position themselves to manage risks, capitalize on opportunities, and secure their economic futures amidst ongoing uncertainties.