

Economic Security / Economic statecraft: lessons learnt from recent developments and challenges ahead

Solution Paper

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Recommendation #1 – Establish tighter control over shipping lanes to contain shadow fleets

The G7 should foster the transparency and security of global shipping by reining in the so-called “shadow fleet,” which undermines economic statecraft, facilitates hybrid tactics and threatens the environment. Building on existing co-operation channels within the group of Nordic-Baltic countries (NB8++), the G7 should monitor shadow fleet activity by exchanging timely data about ship movements, collecting information on insurance, flagging suspicious ship behaviours and co-ordinating responses to violations of international rules and regulations, including vessels operating without a valid flag.

A concerted strategy to limit shadow fleet activity should support the alignment of designations of active shadow tankers across G7 jurisdictions and identify the broader ecosystems that enable designated vessels to continue operating. Such an effort should combine diplomatic outreach with enforcement measures towards ship owners and managers in key jurisdictions, flag registries, insurance companies, third-country ports, commodity traders and financial institutions. The G7 should also consider requiring that all ships calling at G7 ports or operating in G7 territorial waters carry proof of proper insurance, notably for environmental risks.

A clear signal by all G7 partners that the shadow fleet will be controlled more tightly can help to contain the further growth of opaque and potentially dangerous shipping practices while making the use of existing shadow fleets more expensive and cumbersome. Shared standards and rules of engagement would also lead to better risk-sharing among G7 countries.

Recommendation #2 – Develop a G7 export-control toolkit baseline

The G7 should develop a common baseline for export control authorities and practices across its members, ensuring that each G7 economy possesses a comparable toolkit to manage security-relevant technology transfers across goods, software, technology and related assistance.

G7 members increasingly share concerns about military-civil fusion, technology acquisition strategies and the use of third-country pathways to sustain military capabilities and evade export controls or financial sanctions. However, export-control systems across the G7 remain uneven in scope and operational reach. Differences in legal authorities – particularly around non-listed items, intangible technology transfers, technical assistance and diversion risk – create gaps that illicit procurement networks can exploit. Fragmentation also raises compliance costs for firms operating across jurisdictions and undermines the credibility of collective action.

Rather than harmonising specific control lists, the G7 should define a baseline of export-control authorities and practices, supported by a joint gap assessment and model provisions that members can adopt through domestic processes.

This baseline should ensure that each G7 member has the capacity, if it chooses to exercise it, to (i) apply catch-all and end-use controls to non-listed items where credible risks exist; (ii) cover intangible technology transfers, including electronic transmission and transfers to unauthorised end users; (iii) regulate technical assistance that sustains controlled capabilities, including maintenance, repair, upgrades and training; (iv) address reexport and diversion risks through stronger licensing conditions and co-ordinated enforcement; (v) adapt controls to service-based delivery models, including remote and cloud-enabled access.

A G7 export-control toolkit baseline would not mandate policy choices or automatic tightening. It would establish a common G7 floor of state capacity, reduce opportunities for jurisdiction arbitrage, improve predictability for the private sector and support the effectiveness of joint export-control strategies.

Recommendation #3 – Create a G7+ co-ordination framework for semiconductor manufacturing equipment (SME) export controls

The G7 should create a co-ordinated framework for semiconductor manufacturing equipment (SME) export controls, recognising SME as a uniquely concentrated and critical chokepoint for advanced technology development. Building on the fact that the global SME supply chain is highly concentrated among G7 economies, such a framework should be built on a G7+ model that includes essential partners beyond the G7, such as South Korea and the Netherlands.

Uneven scoping, licensing standards and enforcement practices risk eroding national export controls. In particular, export controls that focus narrowly on initial equipment sales can be undermined through continued access to components, maintenance, servicing, upgrades and know-how. Illicit procurement networks have demonstrated an ability to exploit these gaps through stockpiling, intermediary procurement and substitution strategies targeted at the weakest links in the supply chain. A G7+ co-ordination framework should therefore aim to align approaches to SME controls across the lifecycle of equipment, including core tools and enabling subsystems, critical components, installation, maintenance, repair and upgrade services.

Crucially, the framework would not require identical national control lists or automatic tightening. It would promote shared risk assessments, co-ordinated updates to control thresholds and information exchange on evasion tactics and substitution pathways. The framework would improve the effectiveness and durability of controls while preserving national discretion and flexibility. Co-ordination at the G7+ level would also enhance predictability for firms operating across jurisdictions, reducing compliance fragmentation and limiting incentives for regulatory arbitrage.