



Institute for European
Analysis and Policy

Hub for New Industrial Policy
& Economic Governance

EU Industrial Policy in the era of geoeconomic competition

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PhD Summer School on European Industrial, Innovation and Trade Policy
in the Era of Strategic Autonomy

LUISS Guido Carli University

3 June 2024

Introduction

- The world's major economic powers are increasingly adopting interventionist industrial policies.
- Policies in favour of dual transition and strategic autonomy at the heart of the mandate of Von der Leyen's 'geopolitical' Commission.
- Strengthening EU industrial policy: key element of this strategy.
- Objectives of the lecture:
 - ❖ Description of the industrial policies of main economic powers.
 - ❖ Analysis of main features of EU's industrial policy model.

The US industrial policy model

- Federal state with the ability to impose and finance industrial policies.
- Large domestic market enabling the creation of major MNEs.
- Important military programs with effects on civilian industries (« dual-use research): SDI (1983).
- State agencies with vast funding: ARPA, DARPA, NASA.
- Funding for high-risk projects (disruptive innovation) and competitive research.
- Creation of high-tech marshallian districts (Silicon Valley, Route 128, ...).

The US industrial policy model

- Large federal and local subsidies (SDI, IRA...) and historically lenient antitrust policy.
- Change in antitrust strategy with the Biden presidency: slow convergence with EU antitrust policy, Apple case (2024).
- Industrial and trade policy based on economic security and strengthening the domestic industrial base.
- Clauses for a proportion of local content in free trade agreements, industrial policy and research programmes.
- Strategy of restricting technology transfers between US and foreign companies on a case-by-case basis.
- Protectionist trade policies in the name of “national security”.

The Japanese industrial policy model (1950's-1980's)

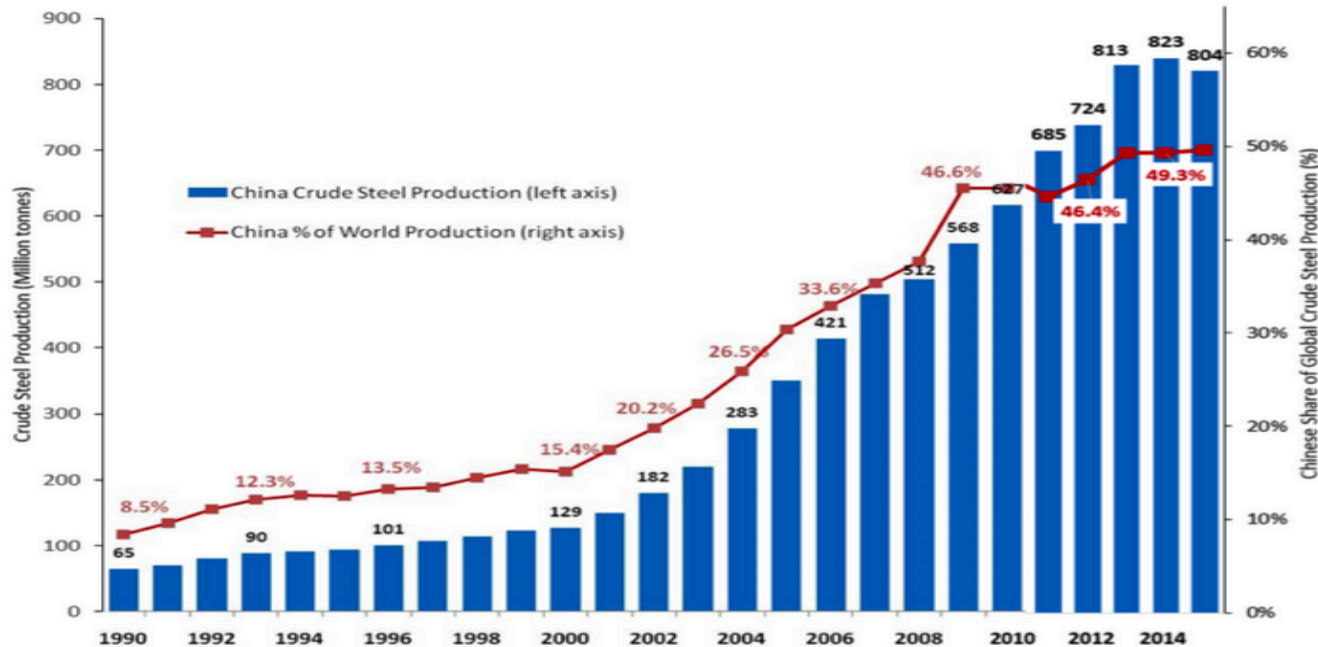
- Industrial planning organised by MITI between government and industry.
- Close collaboration between the government, private companies and universities.
- Banking system largely dependent on the State.
- Large research programs for catching up in technology (5th generation Computers, ...).
- Automatic authorisation of R&D agreements by the JFTC without notification, except in the case of collaboration with foreign companies.
- Trade policy based on promoting exports of low-cost products.

The Chinese industrial policy model

- Planning strategy by MIIT (five-year plans) led by CCP.
- Infant industry promotion: increase of industrial capacities in basic sectors and then in high-value added products.
- Science and Technology Plan (2006-2020): in search of technological self-sufficiency.
- Active industrial strategies: Made in China 2025 (2015) and 1000 Little Giants Initiative (2021).
- Active promotion of State-owned enterprises.
- Direct public subsidies, banks loans, government equity investment, preferential tax treatment, preferential land allocation.

The Chinese industrial policy model

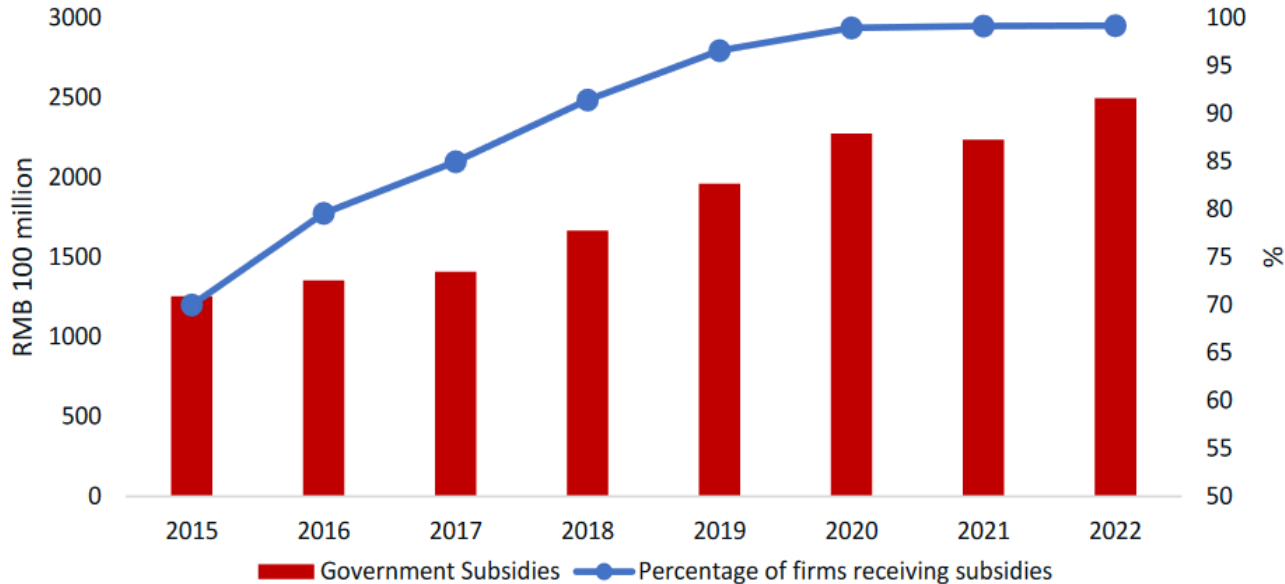
China's crude steel production and share of global production (1990-2014)



Source:
Hasanbeigi,
2017.

The Chinese industrial policy model

Direct government subsidies to listed firms in China's stock markets (2015-2022)



Source: Bruegel,
2024.

The Chinese industrial policy model

- Development of industry: acquiring of technological transfer from foreign direct investors in exchange access to Chinese market.
- Sino-foreign R&D partnerships at the heart of catch-up policies with the ultimate aim of technological sovereignty (Made in China 2025).
- Strategy for acquiring/participation in strategic foreign strategic companies: Hamburg and Piree ports, acquisition of Volvo by Geely (2010)...
- Promotion of low-cost exports of products with industrial overcapacity: electric vehicles, solar panels, shipbuilding, steel...
- Promotion of Free Trade Agreements to sell off its industrial production.

The EU's Industrial Policy model

- Divergences between national industrial policies.
- Historic rivalry between the Member States and national business elites.
- Internal market unification strategy but market fragmentation in key industrial sectors (Letta Report, 2024)
- EU legal competences based on an horizontal approach to industrial policy: competition, research, trade and accompanying policies (social, regional policies...)
- No financial instrument at the EU level apart from the general budget and RFCS.

Comparison between EU, Chinese and US industrial policies

	Selection process of firms on the domestic market	Funding of a centralized industrial policy	Resistance to centrally-designed industrial strategies	Selection of national champions and rationalisation of production capacities	Networks and scale effects
US	Market forces or Federal state and its agencies through public procurement	Federal state and its agencies	Some members of US Congress	Total: inefficient firms are eliminated	Very high
China	State Council SASAC, PCC leadership, state-owned banks	Supervision of the CCP and the Ministry of Finance	Some provincial and local authorities	Partial: some inefficient national champions survive for years	High
EU	Market forces in non strategic industries, national governments and public agencies in strategic industries	Limited EU budget	Sovereign Member States	Very partial: some inefficient national champions survive for decades	Medium

Source: Defraigne et. al., 2022.

A EU industrial policy to achieve the dual transition and open strategic autonomy (2018-today)

- New EU industrial strategy for dual transition and open strategic autonomy: Chips Act, Green Deal Industrial Plan.
- Use of IPCEIs and “industrial alliances” to develop strategic supply chains.
- More aggressive competition policy: fines against US big tech, DMA/DSA, FSR...
- New trade policy instruments: anti-coercion mechanism, CBAM,
- Use of trade defence instruments to face unfair competition policies
- New financial instruments with limited budget: EFSI, STEP, Clean Steel Partnership...

A EU industrial policy to achieve the dual transition and open strategic autonomy (2018-today)

- Open question: will these initiatives overcome the structural problems of EU industrial policy?
 - Divergent national industrial strategies
 - Lack of competences of the European Commission to pursue a “federal” EU industrial policy to compete with third countries
 - Lack of funding for EU industrial policy
 - Rivalry between the MS and business elites
 - Difficulty of balancing the strengthening of EU industrial policy with the objectives of competition and trade policies

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JOURNAL OF EUROPEAN PUBLIC POLICY
2023, VOL. 30, NO. 10, 2069–2106
<https://doi.org/10.1080/13501763.2023.2202684>



OPEN ACCESS

Europe first? The rise of EU industrial policy promoting and protecting the single market

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ABSTRACT

Within Europe's regulatory state, industrial policy has largely remained within national governments' remit. Yet, a plethora of new supra- and cross-national industrial policy initiatives have recently emerged whereby the Commission proactively engages in pan-European activities to foster innovation and economic development. This article brings the 'Developmental Network States' (DNS) literature into dialogue with EU integration scholarship to explain both the timing of EU industrial policy's rise since the mid-2010s and the variation in forms of EU integration of different industrial policy functions. Our analysis suggests that the Commission increasingly operates four major developmental functions akin to DNSs and aimed at promoting and protecting the single market. Neofunctionalist theories of EU integration explain these momentous shifts. The timing behind the rise of EU industrial policy is best explained as an interplay of functional, cultivated, and political spillovers, driven especially by the Franco-German realignment on pro-EU industrial policy positions since 2016. Variation in the governance forms of integrated EU industrial policy functions is instead explained in terms of the degree of pre-existing integration of extant policies, the low vs high politics nature of the policy domain and the types of externalities attached to the specific policy area.

ARTICLE HISTORY Received 21 September 2022; Accepted 10 April 2023

KEYWORDS Industrial policy; European Commission; developmental network state; open strategic autonomy; neofunctionalism

1 Introduction

Within Europe's 'regulatory state' (Majone, 1997), industrial policy¹ has largely remained within the remit of national governments (Fioretos, 2001). On the one hand, the European Union's (EU) industrial policy has revolved around

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This article has been corrected with minor changes. These changes do not impact the academic content of the article.

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LUISS

Institute for European
Analysis and Policy

Hub for New Industrial Policy
& Economic Governance

LUHNIP Monthly Brief on EU Industrial Policy

April 2024

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LUISS



Thank you very much for your attention

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