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European Industrial Policy Monitor

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Industrial policy has returned to the centre of Europe's economic and political agenda. EU and national programmes, regulations, investments and trade measures are reshaping production systems and the scope of public action in the economy.
Promoted by the LUISS Centre on European Policy and Analysis (LEAP) and its Observatory on Policy, Industry, Europe (PIE), the European Industrial Policy Monitor tracks these developments each month, focusing on major policy decisions, funding instruments and strategic initiatives at both EU and national levels. It also bridges policy practice and industrial strategy with academic research and expert analysis in order to support an informed debate on the transformation of Europe's industrial landscape.

This issue is curated by Marco Simoni under the supervision of LEAP and PIE at Luiss University of Rome.

European Industrial Policy in September 2025

EU–INDONESIA CEPA AGREEMENT

On 23 September 2025, the EU concluded a Comprehensive Economic Partnership Agreement (CEPA) with Indonesia. The EU and Indonesia will liberalise tariffs on over 98% of tariff lines, covering nearly 100% of trade by value. After a five-year phase-out period, around 96% of trade value will be duty-free, with about 80% of goods becoming duty-free immediately.

Directorate-General for Trade and Economic Security

INVESTEU *OMNIBUS* PACKAGE

On 23 September 2025, EU institutions reached a political agreement on the *Omnibus* package, increasing the InvestEU guarantee by €2.9 billion (unlocking nearly €55 billion of investments), allocating €40 million to the InvestEU Advisory Hub, and cutting red tape – saving up to €350 million in administrative costs.

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

EUROPEAN QUANTUM COMPUTING INFRASTRUCTURE

Europe inaugurated its second quantum computer, the 24-qubit VLQ system in Ostrava, Czechia, on 23 September 2025. Funded by EuroHPC JU and the LUMI-Q consortium, the €5 million system is integrated with the Karolina supercomputer and will be accessible to researchers, companies and the public sector by year-end.

The European High Performance Computing Joint Undertaking (EuroHPC JU)

ANTI-DUMPING DUTIES ON HOT-ROLLED STEEL

On 26 September 2025, after an investigation that found dumping practices harming EU steel producers, the European Commission imposed anti-dumping duties on hot-rolled steel products, ranging from 11.7% for Egypt, 6.9%-30% for Japan, and 12.1% for Vietnam.

Directorate-General for Trade and Economic Security

European Industrial Policy in September 2025

EU SEMICON COALITION CALLS FOR REINFORCED CHIPS ACT

On 29 September 2025, all 27 EU Member States endorsed the European Semiconductor Coalition Declaration which calls for a "Chips Act 2.0" to strengthen Europe's semiconductor ecosystem through collaboration, investment, sustainability and international partnerships.

Directorate-General for Communications Networks, Content and Technology

FRANCE – EIB LOAN TO THALES

On 17 September 2025, the European Investment Bank granted a €450 million loan to Thales to fund R&D in aeronautics and radar technologies. The loan forms part of TechEU, the Bank's innovation programme launched in June 2025 with €70 billion in available funding.

European Investment Bank

GERMANY – BIOMASS & BIOGAS SCHEME AMENDMENT

On 18 September 2025, the EU Commission approved a €7.9 billion increase to the budget of Germany's flagship Renewable Energy Sources Act. The amendment adjusts support for biomass and biogas, shortening transition periods and revising quotas and tariffs to promote more flexible electricity production.

Clean Energy Wire CLEW

SWEDEN – NUCLEAR FINANCING FRAMEWORK

In its 2026 budget bill, the Swedish government proposed a €19.9 billion financial framework to support the construction of new nuclear reactors. The plan combines state-backed loans and price guarantees to enable up to 5 GW of new nuclear capacity and shall be subject to approval by the European Commission.

NUCNET Nuclear Finance

Headline Analysis
InvestEU *Omnibus* Reforms

Agreed in September 2025, the InvestEU *Omnibus* package marks a notable expansion of the EU's flagship investment instrument. Since its launch in 2021, InvestEU has used EU budget guarantees to mobilise private and public finance for infrastructure, innovation, and SME projects, with nearly 40 percent of its portfolio already climate-related. Yet policymakers grew concerned that limited risk capacity and burdensome procedures constrained its impact and left Europe lagging behind the U.S. and China in strategic investment.

The *Omnibus* reforms raise the EU guarantee by €2.9 billion - expected to unlock about €55 billion in additional investment - while allocating €40 million to the Advisory Hub and simplifying reporting for intermediaries and small projects. Returns from existing operations can now be reinvested, and InvestEU funds may be blended more easily with other EU programmes. The aim is to channel resources more efficiently into priority sectors such as clean energy, microelectronics, digital infrastructure, and hydrogen, directly supporting the Clean Industrial Deal and the Competitiveness Compass presented earlier in 2025.

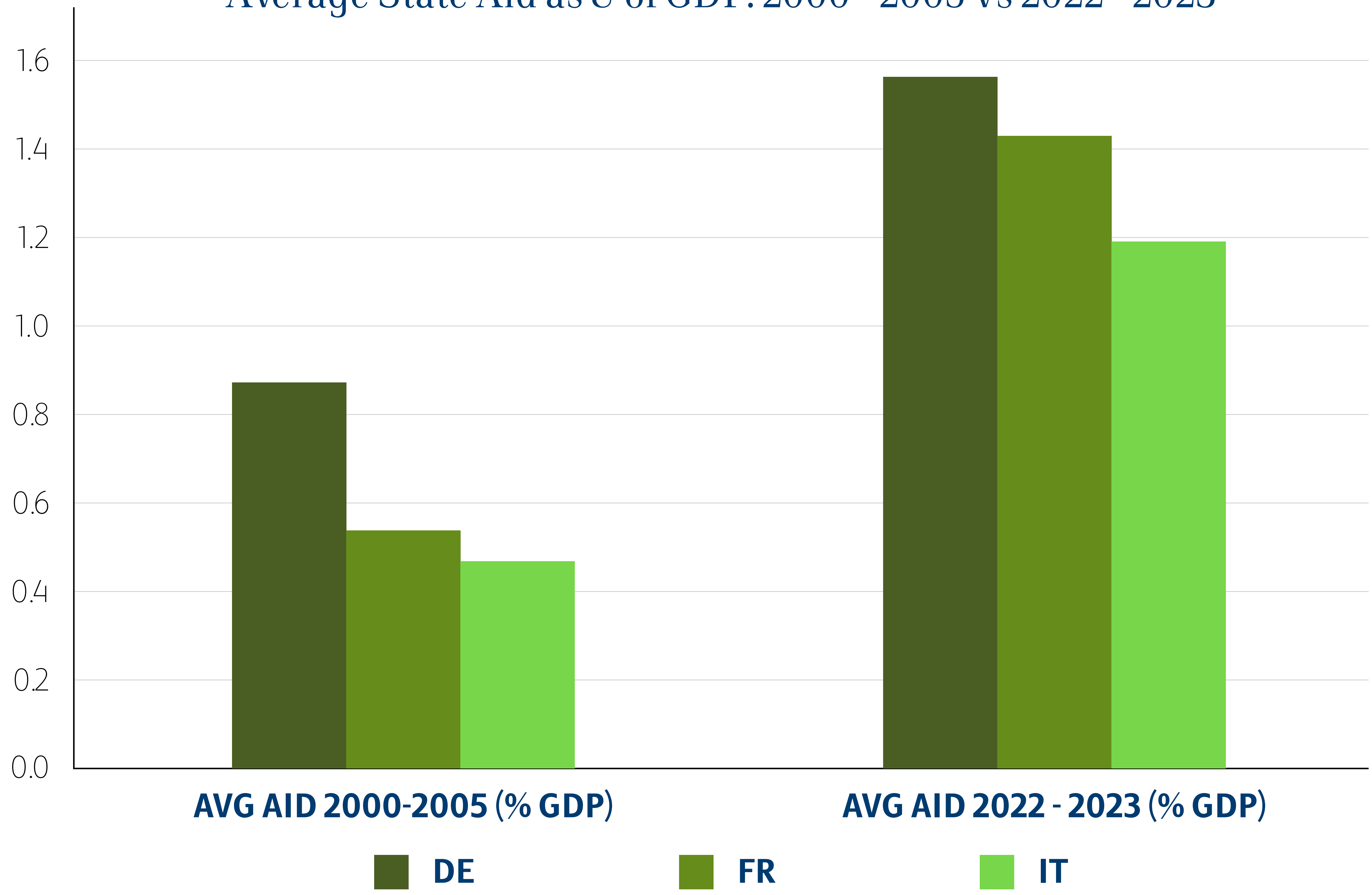
Strategically, the overhaul reflects a wider evolution in EU industrial policy. The Draghi Report on competitiveness warned that chronic underinvestment and excessive regulation were eroding Europe's productive base. The Commission's answer illustrates its turn from purely regulatory instruments to financial ones designed to crowd in private capital and coordinate public support at EU level. It also serves as a test of how far Europe can integrate investment policy without reopening debates over joint borrowing or fiscal transfers.

Reactions have been mixed. Governments and business associations broadly welcomed the additional guarantees and "red-tape cuts," seeing them as catalysts for innovation and scale-up financing. Civil-society organisations, however, cautioned that simplification must not come at the expense of environmental, labour, or human-rights safeguards embedded in existing due-diligence and sustainability frameworks. For them, competitiveness and accountability must advance together.

In essence, the *Omnibus* reforms strengthen the EU's investment capacity and signal Brussels' growing readiness to act as an industrial actor rather than merely a market referee. Whether this balance between flexibility and responsibility can be maintained will depend on implementation and on the political will of Member States to align national and EU investment efforts behind a shared vision of sustainable competitiveness.

Numbers
The Return of Industrial Policy

Average State Aid as & of GDP: 2000 - 2005 vs 2022 - 2023



The figure compares the average level of State aid as a share of national GDP in Germany, France, and Italy between the early 2000s (2000–2005) and 2022–2023.

In the early 2000s, public support to industry was modest, consistent with a fiscal and competition policy framework designed to limit national intervention. During the COVID-19 crisis (2020–2021), the suspension of EU fiscal and State aid constraints produced an unprecedented surge in government support towards emergencies and recovery measures. Aid intensity averaged around 3.3% of GDP in Germany, 2.5% in France, and 2% in Italy.

While those extraordinary levels declined after the pandemic response, they did not return to pre-COVID norms. Instead, by 2022–2023, State aid remained much higher at approximately 1.6% of GDP in Germany, 1.4% in France, and 1.2% in Italy. This persistence reflects continuing support under the Temporary Crisis and Transition Framework and new funding for the energy transition, decarbonisation, and technological sovereignty.

Overall, the data illustrate a structural shift in European industrial policy: from a restrictive, competition-oriented regime to one where strategic public investment has become an enduring feature of the EU's economic landscape.

Source: PIE elaboration from data from the European Commission, Directorate-General for Competition – State Aid Scoreboard (dataset "Total State aid as % of GDP", accessed October 2025).

Recommended Reading

WHEN DOES INDUSTRIAL POLICY FAIL AND WHEN CAN IT SUCCEED? CASE STUDIES FROM EUROPE

Socio-Economic Review, Oxford University Press.

by Angela Garcia Calvo and Bob Hancké (2025)

This paper by Angela Garcia Calvo and Bob Hancké investigates the conditions under which industrial policy in advanced economies leads to success or failure. It argues that outcomes depend less on the technical design of policy instruments than on two structural factors: the presence of firms with sufficient capabilities to benefit from public support, and the degree of alignment between policy objectives and a country's institutional framework - its systems of finance, skills, and innovation. When at least one of these factors is present, public intervention can foster the other; when both are absent, failure is almost inevitable. Through comparative case studies covering six decades of European experience - such as French nuclear power, the German automotive industry, and the failed British Leyland experiment - the authors demonstrate that effective industrial policy reinforces existing strengths rather than attempting to construct entirely new ones. Their analysis highlights how coherence between state action, firm capacity, and institutional context is a decisive precondition for durable industrial transformation.

WHY IT MATTERS

For policymakers, the study offers a practical test before launching new industrial initiatives. It warns that state spending alone cannot create dynamic industries without competent firms or compatible institutions. Governments should therefore be aware of their productive base and institutional strengths, including education, finance, and innovation systems, before deciding where to intervene. The paper also explains why identical policies produce opposite results across countries, highlighting the importance of national context. For business leaders and public banks, it clarifies when public–private partnerships can thrive. For the EU, it shows why coordination across diverse national systems is vital to avoid wasting billions on unfit projects. In short, it gives decision-makers a framework to distinguish politically appealing but doomed projects from those capable of building lasting industrial strength.

Expert's view

ASYMMETRIC BILATERAL TRADE AGREEMENTS AND THE NEW FRONTIER OF EUROPEAN TRADE POLICY

Amedeo Teti
Director General for Trade and Chief International Negotiator for Italy 2002-2019

In today's trade game, the referee no longer exists. The rules are no longer the product of patient multilateral negotiation but are dictated by the strongest. The system built after 1947 with the GATT, and later the WTO, delivered over seventy years of extraordinary growth, thanks to gradual tariff reduction and a rules-based order under US leadership. The European Union gained influence by speaking with a single voice through the Commission. But with China's accession in 2001, confidence in this system began to unravel. The Doha Round collapsed when the United States refused to accept that large emerging economies could continue to enjoy "developing country" exceptions while competing head-on with advanced economies.

The 2003 Cancun deadlock marked the beginning of the end for multilateralism. Since then, more than 850 bilateral free trade agreements have been signed worldwide. Formally WTO-compatible, in practice they erode the most-favoured nation principle and allow preferential, selective deals. The US itself signed twenty, but their geopolitical impact has outweighed their economic benefits.

The real break came under Donald Trump. From 2017 onwards, Washington blocked the WTO's appellate body, stripping the organization of its enforcement power. At the same time, Trump openly embraced unilateral tariffs and launched a new era of asymmetric bilateralism: deals where reciprocity is abandoned, and the stronger party dictates the conditions. The partner is given a choice—accept American terms, or face higher tariffs on its exports to the US market. A 2018 Trump tweet captured the logic perfectly: China, he said, is the world's largest exporter yet is still treated by the WTO as a developing nation, enjoying advantages "especially over the US."

Expert's view

The implications are profound. The WTO survives, but its rules are no longer binding. Tariffs have become foreign policy tools, and trade has fused with geopolitics. We are moving toward a system where power politics sets the rules, with a serious risk of global economic anarchy.

For Europe, the lesson is urgent. Our trade policy is still designed as if the WTO were functioning. But today trade is foreign policy by other means. Brussels runs trade, while foreign policy remains in the capitals: this fragmentation makes us slow and weak. Without aligning geopolitical priorities with trade instruments, the EU risks division and irrelevance. Brexit should serve as a warning.

If the United States now defends its interests with tariffs and asymmetric agreements, Europe must learn to act with equal force. We need faster decision-making, common financial tools, and the recognition that trade policy is not technical administration but a matter of power. It is not enough to absorb blows: Europe must be able to strike back, to negotiate from strength. Only by developing a more muscular European personality in trade can we remain relevant in a world where there are no referees and where the strongest now set the rules.