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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 Greta Micol Narsini and Michele La Bella under the supervision of LEAP and PIE at Luiss University of Rome.

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EU – COMMISSION PRESENTS TECHNOLOGICAL SOVEREIGNTY PACKAGE

On 3 June 2026, the European Commission presented its Technological Sovereignty Package to reduce dependence on non-EU digital suppliers. It includes two legislative proposals: Chips Act 2.0, aimed at simplifying semiconductor manufacturing permits and expanding production capacity, and the Cloud and AI Development Act, which seeks to triple European data-centre capacity while introducing cloud sovereignty and security requirements. Two complementary initiatives address the adoption of European open-source technologies and the integration of data centres and AI into energy systems. Both legislative proposals now require negotiations between the European Parliament and Council.

EC, Directorate-General for Communication

EU – €1.5 BILLION BATTERY BOOSTER FACILITY ESTABLISHED

On 9 June 2026, the European Commission established a €1.5 billion facility under the Innovation Fund to provide interest-free loans to European battery-cell manufacturers. Financed through EU Emissions Trading System revenues, the scheme targets large-scale production facilities, offering loans of up to €500 million per project to help manufacturers cover financing needs during the initial production phase. Following the closure of applications on 30 September, the Commission is now evaluating submitted projects.

EC, Directorate-General for Climate Action

EU – EIB COMMITS €3 BILLION TO AIRBUS FOR AEROSPACE INNOVATION

On 29 June 2026, the European Investment Bank authorised its largest-ever corporate loan, committing €3 billion to support Airbus's research and development activities through 2030, with an initial €1 billion loan already signed. The financing covers advanced aircraft technologies and integrated security and defence systems, with projects concentrated in France, Germany and Spain. By financing Airbus's R&D programmes, the operation could also generate opportunities for European suppliers, particularly SMEs specialising in precision engineering and electronics, although these indirect benefits are not guaranteed.

European Investment Bank

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EU – EUROPEAN UNION SIGNS PAX SILICA DECLARATION

On 25 June 2026, the European Commission signed the US-led Pax Silica Declaration, joining a non-binding framework to strengthen semiconductor, AI and critical-mineral supply chains. Launched in December 2025, the initiative brings together economies with complementary technological capabilities to coordinate investment, diversify sourcing and reduce strategic dependencies, particularly on China. Its emerging industrial dimension includes a planned 4,000-acre semiconductor and AI industrial hub in the Philippines. However, the declaration establishes neither binding investment commitments nor dedicated EU funding, leaving its economic impact dependent on subsequent agreements and implementation.

Read more about this news in the Headline Analysis

EC, Directorate-General for Communications Networks, Content and Technology

FRANCE – TIBI III MOBILISES €13 BILLION FOR TECHNOLOGY FINANCING

On 19 June 2026, France announced the third phase of the Tibi Initiative, a government-coordinated programme launched in 2019 to channel institutional investment into technology companies. The government coordinates private capital allocations to venture-capital and growth-equity funds, which subsequently invest in companies requiring substantial financing to expand their operations. The new €13 billion commitment places greater emphasis on pan-European investment funds, seeking to address the shortage of late-stage risk capital that often leads European technology companies to seek financing outside the continent.

French Ministry of Economy and Finance

ITALY – NEW TRANSIZIONE 5.0 INVESTMENT INCENTIVE BECOMES OPERATIONAL

On 12 June 2026, Italy opened applications for its revised "Transizione 5.0" scheme, introducing enhanced tax depreciation for investments in advanced machinery and industrial equipment. Eligible companies can deduct additional acquisition costs at rates of 180% for investments up to €2.5 million, 100% between €2.5 million and €10 million, and 50% between €10 million and €20 million. Unlike direct grants, the incentive operates through reductions in taxable income, with firms required to register investments through the GSE platform and provide technical and accounting certification.

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SWEDEN – GOVERNMENT AGREES MAJORITY OWNERSHIP AND FINANCING FRAMEWORK FOR NEW NUCLEAR PROJECT

On 25 June 2026, Sweden agreed to acquire a 60% stake in Videberg Kraft, the company developing 1,500 MW of new nuclear capacity at Ringhals, alongside Vattenfall and industrial consortium Industrikraft, each retaining 20%. The financing framework combines government loans with two-way Contracts for Difference, which protect revenues against low electricity prices while limiting excess returns. The agreement also provides for sharing investment risks and profits. The ownership transfer is expected in 2027, while the financial support remains subject to European Commission state-aid approval.

Government Offices of Sweden, Press release from Ministry of Finance

CZECHIA – CZK 3.7 BILLION ALLOCATED TO CRITICAL TECHNOLOGIES UNDER STEP

On 17 and 23 June 2026, Czechia announced two funding calls worth CZK 1.85 billion each under the EU's Strategic Technologies for Europe Platform (STEP). Financed through the existing OP TAK programme, the first supports investment in manufacturing facilities and equipment for critical technologies, while the second finances industrial research and experimental development. Covering sectors including semiconductors, artificial intelligence, quantum technologies and biotechnology, the two instruments address different stages of industrial development, from technological research to production capacity, with funding awarded through competitive project selection.

Czech Ministry of Industry and Trade (17 June and 23 June 2026)

Headline Analysis

European Union signs Pax Silica declaration

The European Union's accession to Pax Silica reflects the growing convergence of industrial policy, economic security and geopolitical competition. Launched by the United States in December 2025, the initiative brings together economies with complementary capabilities across semiconductor and artificial intelligence (AI) supply chains. It aims to secure critical technologies and materials, coordinate investment and reduce strategic dependencies, particularly on China.

Pax Silica builds on the highly specialised structure of semiconductor production. The United States dominates chip design; Taiwan (a non-signatory cooperating bilaterally with Washington) leads advanced fabrication; South Korea specialises in memory chips; and Japan and the Netherlands supply essential materials and manufacturing equipment. These concentrated capabilities create technological chokepoints with considerable geopolitical leverage. Rather than imposing binding production targets or establishing a common funding mechanism, Pax Silica provides a framework for coordinating investments, developing manufacturing capacity, securing critical minerals and expanding AI infrastructure.

The initiative reflects a broader shift in industrial policy, as governments seek to shape not only domestic production but also the international organisation of strategic industries. Alongside subsidies, reshoring incentives and export controls, partnerships increasingly serve to secure access to capabilities that are costly or difficult to replicate. For Washington, coordinating allied industrial strengths can complement domestic manufacturing ambitions while reinforcing US technological leadership. National industrial strategies and selective international interdependence thus become mutually reinforcing.

Yet closer coordination does not guarantee a more balanced distribution of industrial capabilities. Concentrating production within a politically aligned network may reduce exposure to geopolitical rivals, but could also entrench technological hierarchies, raise costs and accelerate trade fragmentation. Reducing dependence on China, moreover, does not necessarily eliminate vulnerabilities when essential technologies remain controlled by a handful of suppliers.

For the European Union, participation offers opportunities to strengthen supply-chain security, attract investment and advance its technological sovereignty agenda. However, Europe remains dependent on foreign advanced chip fabrication and AI infrastructure, despite its strengths in specialised equipment, materials and industrial applications. Integration into a US-led network may therefore improve resilience without expanding European control over strategic technologies.

Pax Silica illustrates how industrial policy is increasingly concerned with governing international interdependencies as well as building domestic capacity. Its significance for Europe will ultimately depend on whether cooperation delivers new investment and technological capabilities, or merely consolidates its existing position within a production system increasingly shaped by geopolitical priorities.

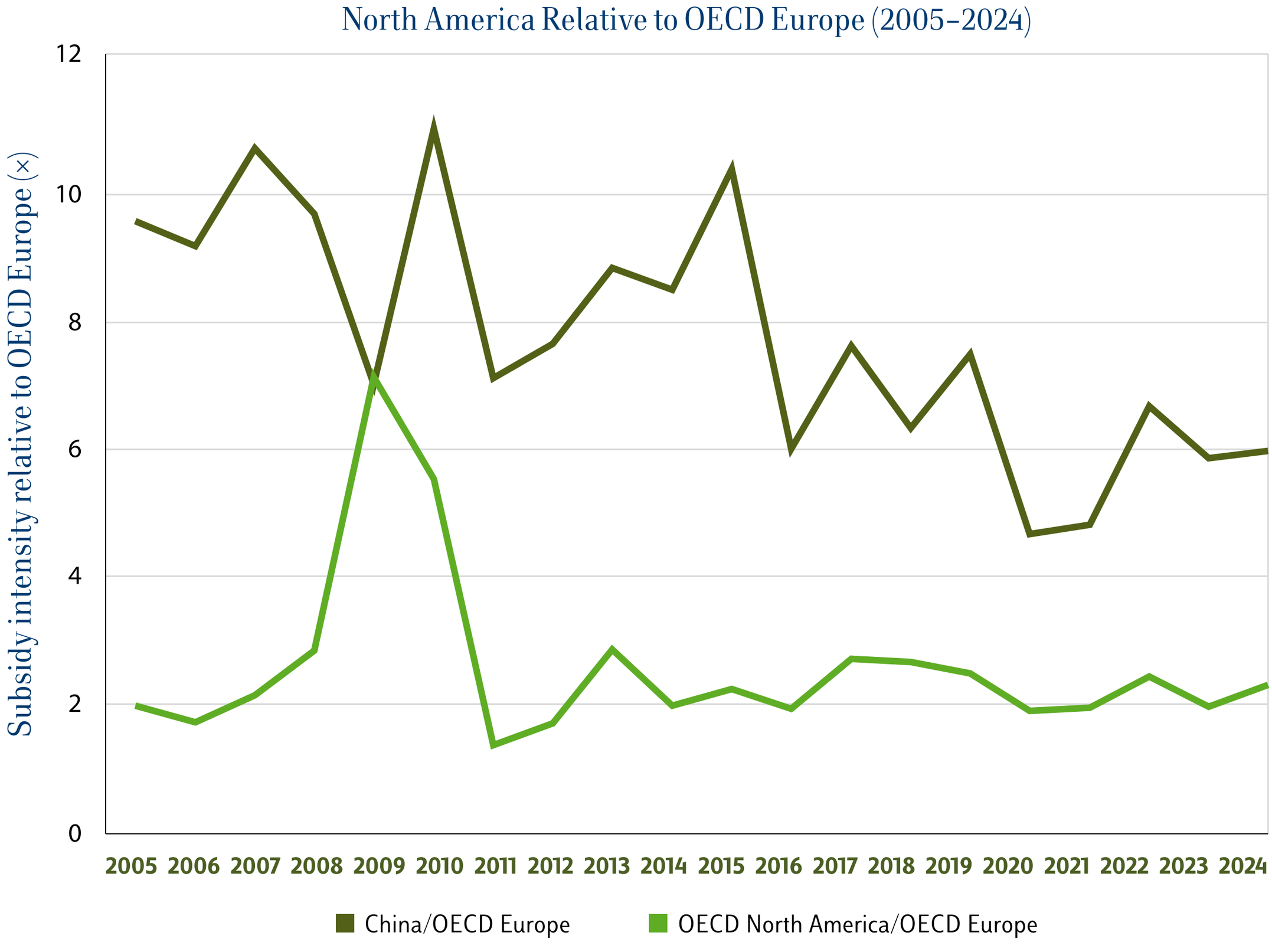
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Numbers

The Global Subsidy Gap: Is Europe Falling Behind?





The graph illustrates the evolution of industrial subsidy intensity in China and OECD North America relative to OECD Europe between 2005 and 2024. Subsidy intensity is measured as a percentage of firms' annual revenues, covering grants, corporate income tax concessions and below-market borrowings across 15 key industrial sectors[1].

Unsurprisingly, China consistently displays substantially higher subsidy intensity than OECD Europe. Yet, the relative gap narrowed from 9.6 times the European level in 2005 to almost 6.0 times in 2024. Importantly, this convergence reflects a faster increase in European subsidy intensity rather than a reduction in Chinese support, which also grew over the period. OECD North America, meanwhile, maintained a smaller and relatively stable gap, generally around twice the European level, with a pronounced spike in 2009–2010, coinciding with the global financial crisis.

Overall, while substantial differences in the intensity of subsidies received by Chinese firms and those headquartered elsewhere persist, the narrowing gap suggests that European industrial support has also gained momentum. Nevertheless, significant asymmetries remain, underscoring the uneven intensity of public support across major industrial economies.

[1] **Sectors covered by OECD MAGIC**: Aerospace and defence; aluminium; automobiles; cement and other building materials; chemicals; fertilisers; glass, ceramics and refractories; heavy machinery; semiconductors; shipbuilding; solar photovoltaic cells and modules; steel; telecommunications network equipment; rolling stock and signalling; and wind turbines. Geographic aggregates are based on firms' headquarters location. Subsidy intensity ratios compare average subsidy intensity across regions, rather than total government expenditure.

PIE elaboration of data from the OECD MAGIC database (2026), covering industrial subsidies in 15 key sectors, 2005–2024.

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Recommended Reading

INDUSTRIAL POLICY AND INTERNATIONAL COOPERATION

World Trade Review, Cambridge University Press, Vol. 24, pp. 136–152

by Bernard Hoekman and Douglas Nelson (2025)

The resurgence of industrial policy raises questions about international cooperation as governments use subsidies, regulation and trade measures to pursue objectives beyond economic efficiency. Hoekman and Nelson examine the resulting cross-border spillovers and the benefits of coordination. They argue that industrial policy goes beyond protecting domestic industries or correcting market failures: it increasingly pursues non-economic objectives (NEOs), including environmental sustainability, national security and supply-chain resilience, often shared internationally but addressed through uncoordinated national measures. Drawing on economic policy theory, the authors distinguish policy objectives, instruments and domestic political constraints. Countries may pursue similar goals through different measures, creating trade-offs and unintended spillovers across competition, environmental and security policies. The failed EU–US negotiations on sustainable steel and aluminium illustrate conflicting priorities: environmental protection and WTO commitments for the EU, versus industrial protection and economic security for the US. Existing trade agreements and WTO rules, the authors contend, address commercial spillovers rather than coordinate shared NEOs. They advocate plurilateral cooperation among like-minded countries through technical dialogue, information-sharing and identification of complementarities across national strategies, while maintaining links to multilateral institutions to ensure transparency and learning.

WHY IT MATTERS

The paper provides a framework for understanding industrial policy's international dimension. Securing critical technologies, diversifying supply chains and reducing strategic dependencies through unilateral measures can be costly or insufficient. Cooperation can leverage complementary capabilities and contain negative cross-border effects.

This is particularly relevant to the EU's external economic strategy. Pax Silica exemplifies strategic partnerships centred on technological capabilities and supply-chain security, while the EU–Mercosur and EU–India trade agreements show how traditional trade partnerships can advance industrial goals by securing critical inputs, expanding markets and diversifying production networks. These complementary forms of cooperation pose a challenge for European policymakers: aligning domestic industrial ambitions with shared strategic priorities, coordinating instruments and managing spillovers. Effective cooperation can strengthen industrial resilience without further fragmenting the international trading system.