

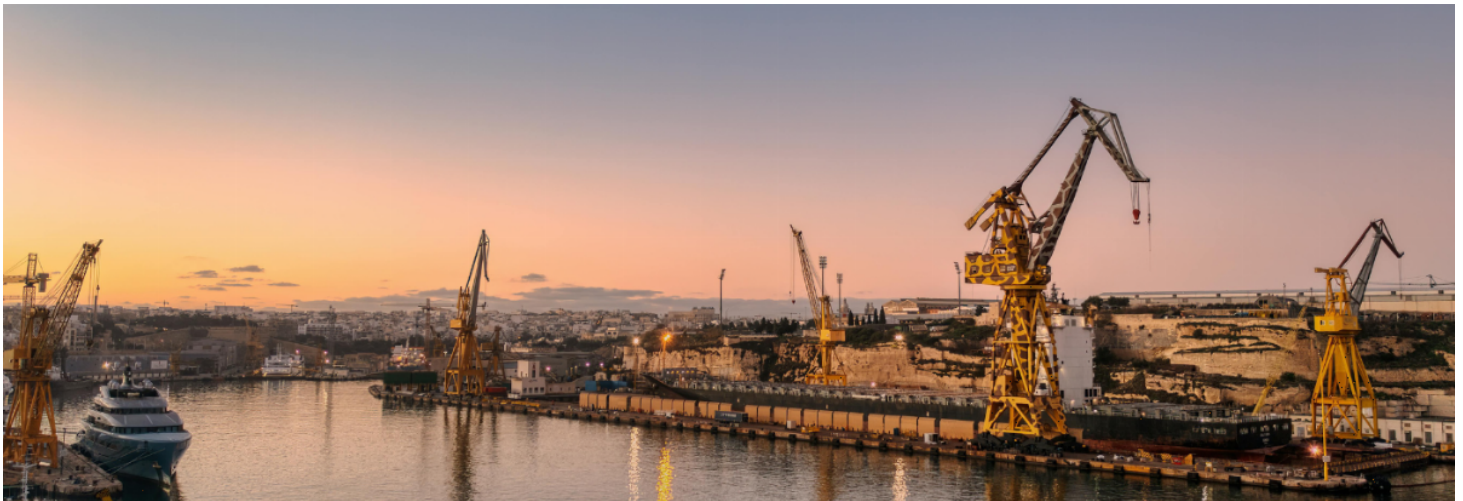
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Recent industrial policies across the world: Lessons for the European Union

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As many countries pivot towards more active industrial policies, which are taking the central stage in multilateral negotiations including on climate, the European Union finds itself at a crucial juncture to define its own strategy in order to fulfil its core objectives as defined by the Green Deal. Two considerations should guide decision makers heads on: with limited fossil fuels and primary materials at its disposal, the EU must decarbonize in order to combine autonomy, competitiveness and environmental goals; deindustrialization processes have hampered structural transformations so far, so that the deployment of clean industries is not happening today at the necessary speed. The Clean Industrial Deal can serve as the vehicle to host this change, but the question is on how to do it. IDDRI has recently published a [Study](#) on new industrial policies across the world (IDDRI, 2025a), and provides additional insights on 11 case studies on the EU, six of its Member States (France, Germany, Italy, Poland, Spain, Sweden), and four outside the EU (United States, China, South Korea, Japan). What lessons can the EU learn from this analysis?

First, the importance of a long-term direction and clarity on objectives should be underlined. Industrial policies require large, lasting investments, and inconsistent policymaking is a major deterrent. Long-term planning has been a central feature in [Chinese industrial policy](#), while sectoral roadmap exercises have been a key feature of [Japan's](#) policy and

is now extending to EU Member States such as [France](#). The uncertainty surrounding the continuity of the *Inflation Reduction Act* (IRA) following the change in the US Administration illustrates this risk. Conversely, China's clear commitment has driven down costs and fostered innovation. The EU must therefore build upon its Green Deal and, in particular, its climate neutrality objective, to continue providing a clear guidance to its economic actors; the recent agreement on its 2040 climate target¹ is a necessary signal to ensure continuity and commitment.

Then, in a hyper-competitive global environment, the EU can differentiate its policy by focusing on material efficiency and circular economy. Often overlooked in industrial policies, especially in countries which do not face the same resource scarcity on their territory, this approach offers Europe a unique competitive advantage and a strong driver to develop its domestic market. *De facto*, EU businesses are already well-positioned in circular innovation. However, the circular economy is still often viewed as a standalone policy associated with waste and recycling. It is time to explicitly integrate it into the EU's—industrial—strategic agenda.

Market size is a key driver of success, providing China, and to a lesser extent the US, a clear competitive advantage in clean technologies. By contrast, internal barriers to the single market come as a major weakness for the EU. This fragmentation, combined with a financial sector less inclined to support risky industrial ventures, hinders large-scale projects. Overcoming this fragmentation is essential for the EU to fully leverage the creation of "green lead markets". By defining ambitious climate and circular criteria, the EU can create a demand for its new products and services aligned with its societal goals, accelerating the transition and favoring EU industrial development.

Socioeconomic impacts of industrial transitions should be better analysed and inform industrial policies. Current mechanisms such as the Just Transition Fund are insufficient to support regional reconversion incurred by the clean transition, as implications go way beyond the focus on coal-dependent regions ([IDDRI, 2025b](#)). Innovative approaches such as the just transition initiative in [Spain](#), based on comprehensive action plans and industrial policy support for territories negatively affected by the green transition, could be further explored within the EU.

In terms of governance, the EU is somewhere between the American model (minimal central planning) and the Asian model (highly top-down). While progress has been made, there is a need for greater EU-level coordination. The tendency for Member States to support "a little bit of everything" must give way to a more assertive specialization, leveraging national competitive advantages (e.g., hydrogen in Spain, green steel in Sweden). A vision for the future of European industry is necessary to discuss geographical trade-offs, plan the necessary infrastructure (such as grid interconnections), and build robust continental value chains. The EU should encourage subsector-level planning to organize its industrial policy, following examples such as [Sweden](#)'s fossil free initiative. This could lead to changes in EU policymaking, but functions need to be clearly identified: establishing a long-term vision, selecting strategic sectors and territories, developing infrastructure, and ensuring that policy design and monitoring are transparent.

Finally, the reorganization of global value chains is a central feature in current industrial transformation and policies and pushes local content requirement policies, which are a significant feature of the [US](#) IRA policy regarding the development of electric vehicles. The impact of EU policy choices on the rest of the world should also be better assessed and inform policy decisions. The EU should define and adopt a targeted approach to EU preferences based on an assessment of strategic technologies and activities for the EU. Mitigating frictions with the rest of the world will necessitate combining market access conditions and joint industrial cooperations inside and outside of the EU.

¹

<https://www.consilium.europa.eu/en/press/press-releases/2025/11/05/2040-climate-target-council-agrees-its-position-on-a-90-emissions-reduction/>

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