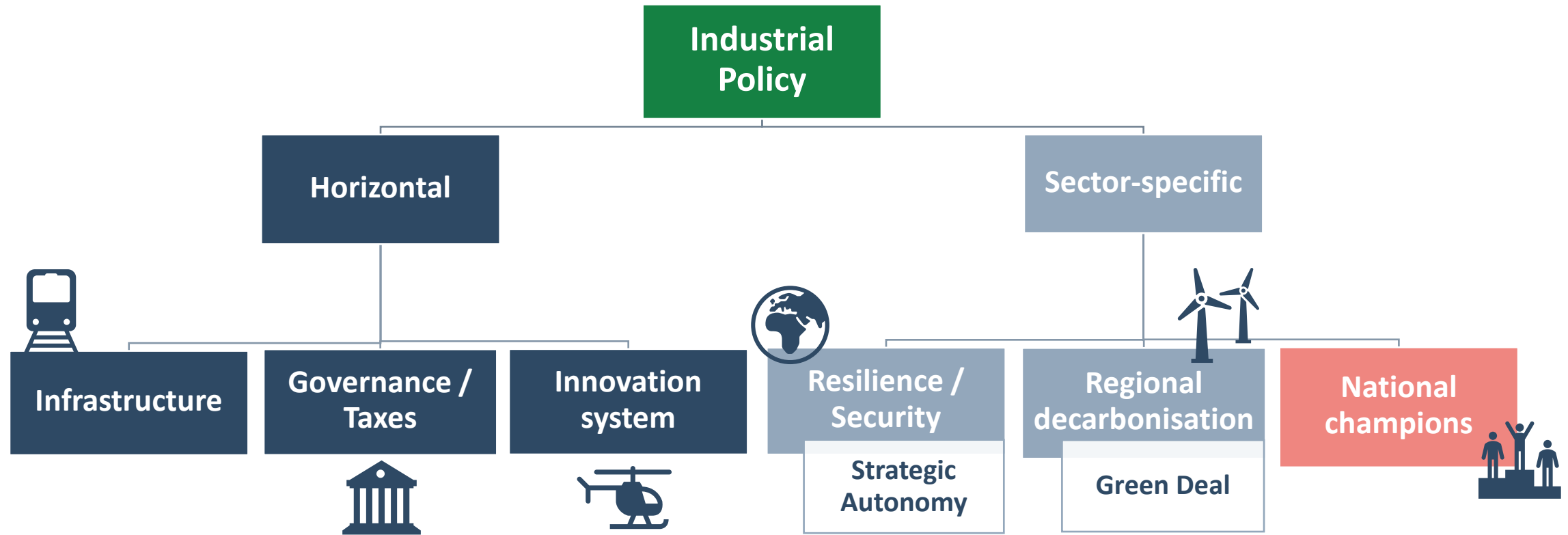


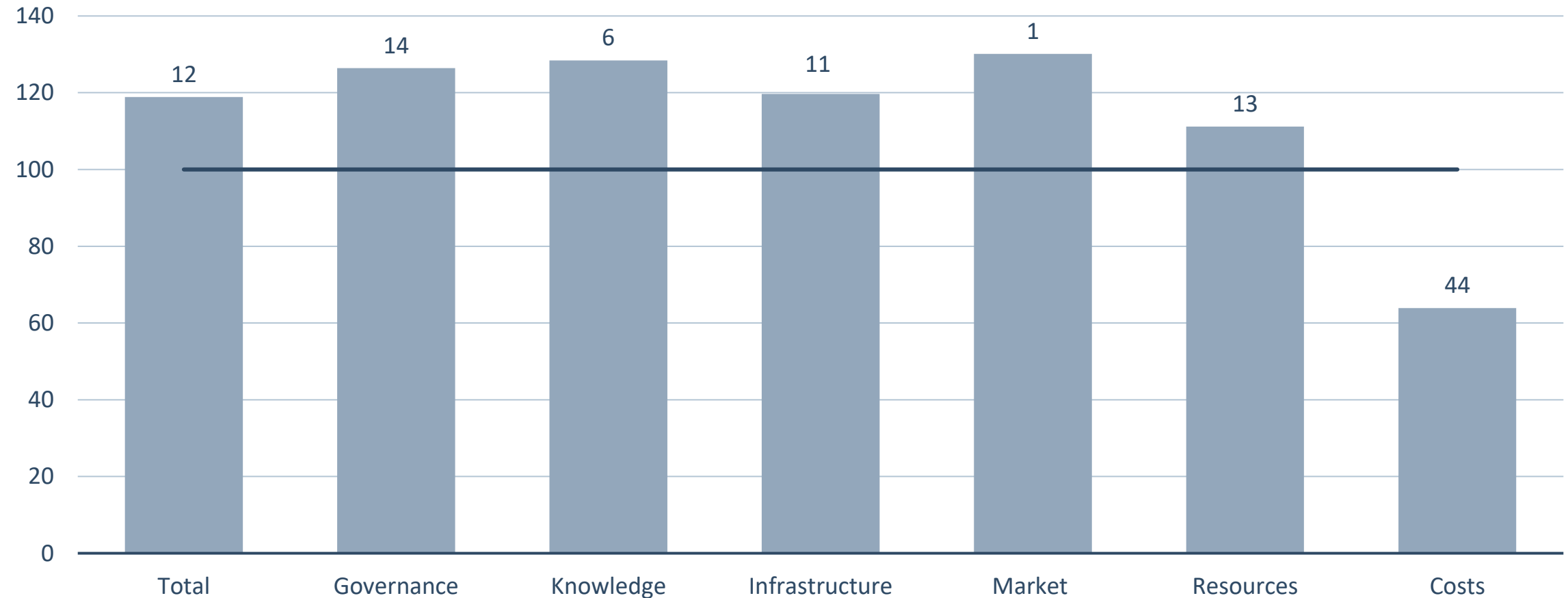
Which industrial policy?



Source: German Economic Institute, own representation

The quality of Germany's industrial locations is insufficient

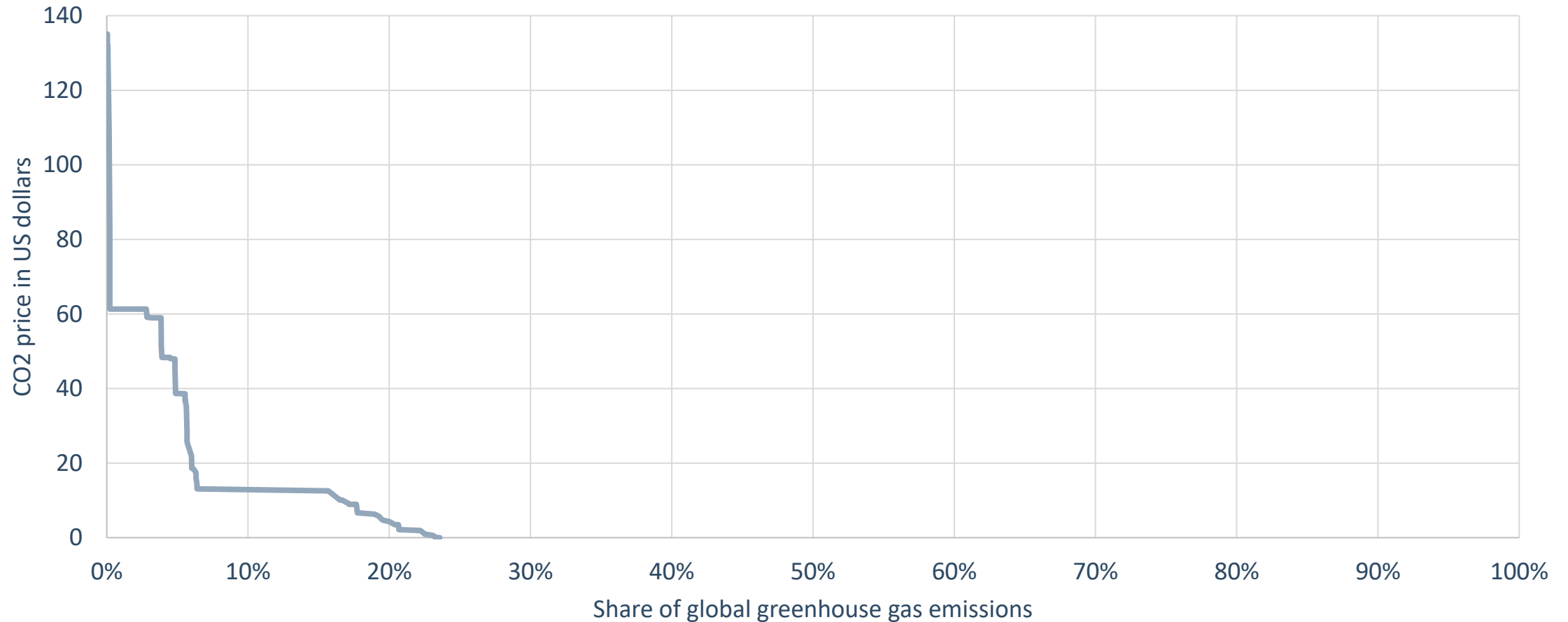
IW Location Index & sub-categories, average index value 100, rankings 2025



Source: own calculations

Partial CO₂ -pricing distorts competition

Share of global GHG emissions; regional, national & local CO₂ prices in \$, 2024



Source: World Bank

Industrial policy comprising numerous individual measures

Horizontal

- 2029: lower corporation tax
- Special depreciation allowances for investments
- Lower energy taxes
- Reduction of red tape

Decarbonisation

- Investment grants for carbon-free steel production
- Industrial electricity prices
- Discussion on green procurement / green steel quotas

Resilience

- Investment aid for semiconductor production
- Review of Chinese investments
- Debate on 'Buy European'



Risk of interventionism

Government responsibilities for resilience and competitiveness

Stable production in Germany and the EU	Reducing distortions of competition, strengthening the location		
Production at risk in Germany/the EU		Support friendshoring	Intervention to safeguard basic supply
No production in Germany/EU	---		
	Low criticality	Medium criticality	High criticality

Checklist for selecting instruments

Overview

	Protective effect			Costs and loss of competitiveness				Harmful side effects		
	Protection for products	Accuracy of the country	Protection for exports to the global market	Cost-effectiveness	Less competition	Bureaucracy	National budget	WTO violation	Countermeasures	Abuse
Established countervailing duties	Light Green	Dark Green	White	Light Orange	White	Orange	Light Green	White	Light Orange	Light Orange
Reformed countervailing duties	Green	Dark Green	Light Green	Light Orange	White	Light Orange	Light Green	Light Orange	Orange	Light Orange
Broad resilience requirements	Light Green	Dark Green	White	Light Orange	Light Orange	Orange	Light Orange	Light Orange	Light Orange	Orange
Buy European requirements	Green	Red	White	Red	Red	Red	Orange	Orange	Red	Red
Specific subsidies	Light Green	Red	Light Green	Light Green	Light Orange	Red	Red	Light Orange	Orange	Red

Sources: vbw, German Economic Institute

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