



Comparison of industrial policies in 4 EU countries

– Goals and
measures

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***“The geopolitical situation
is the thing that most
concerns me,
and we don’t know the
effect of that in the
economy”***

**Jamie Dimon
JPMorgan Chase, 26.9.2023**



The return of selective industrial policy

Means of Industrial Policy

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graph TD; A[Means of Industrial Policy] --> B[Horizontal]; A --> C[Targeted supply-side]; A --> D[Targeted demand-side];
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Horizontal

- E.g.,
- Corporate taxation
 - Infrastructure investments
 - Regulatory processes of authorities
 - Competition policy

Targeted supply-side

- E.g.,
- Direct company subsidies
 - Sectoral exemptions to tax rates of production factors (e.g. electricity tax)

Targeted demand-side

- E.g.,
- Sectoral exemptions to VAT rates
 - Import quotas and tariffs for certain products
 - Local content requirements for specific products

Common goals of industrial policy strategies



Strengthening the industrial base and competitiveness



Promoting green transformation



Enhancing geoeconomic security



Workforce development

+



Country specific goals

Implementation Models: Horizontal vs. Targeted strategies

Divergence across the countries

The Horizontal Approach (Germany & Finland):

Key tools: Reducing bureaucracy, accelerating permitting, and R&D tax incentives.

Limited targeting in sectors like semiconductors (Germany) and hydrogen (Finland).

The Targeted "Strategist State" Model (Austria & Italy):

In addition to horizontal tools, specific lists of targets:

Austria: Concentrates resources on **9 strategic technology fields**, such as AI, chips, and quantum technology, supported by a €2.6 billion funding framework.

Italy: The most structured model, targeting **18 specific value chains** (e.g., Space, Health, and "Made in Italy" sectors) where the state acts as a strategist.

Measuring the success of strategies?

Germany: No explicit monitoring system but every programme should have an exit strategy.

Finland: No explicit mention of monitoring or evaluation.

Italy: Includes some elements, e.g., strategy's updating and database to support data-driven decision-making.

Austria: The most structured framework including:

- Key performance indicators
- Annual reporting
- External evaluation in every 3 years
- The creation of competitiveness radar by the Productivity Council.



Implications for Nations and Businesses

Impacts on Nations

Risk of subsidy competition: A "tit-for-tat" environment may lead to retaliatory subsidies.

Limited power: Although a state may want to reduce dependencies, it has a limited ability to affect the decisions of companies.

Impacts on Businesses:

Unhealthy competition: Heavily subsidised firms may price products lower than unsubsidised.

Investment locations: Country risks, but also subsidies, may play a larger role in investment location decisions.