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Chair of Industrial Policy in Europe

From Regulation to Developmentalism: Explaining the Return of European Industrial Policy through the CID and CISAF

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List of Abbreviations

AI: Artificial Intelligence

APAE: Action Plan for Affordable Energy

CBAM: Carbon Border Adjustment Mechanism

CEEAG: Climate, Energy, and Environmental Aid Guidelines

CID: Clean Industrial Deal

CISAF: Clean Industrial Deal State Aid Framework

CRMA: Critical Raw Materials Act

CTIPs: Clean Trade and Investment Partnerships

DBS: Developmental Bureaucratic States

DNS: Developmental Network States

EC: European Commission

ECSC: European Coal and Steel Community

EDIHs: European Digital Innovation Hubs

EEN: Europe Enterprise Network

EGD: European Green Deal

EIB: European Investment Bank

EIIs: Energy-Intensive Industries

EU: European Union

EUCO: European Council

FDIs: Foreign Direct Investments

FDS: Flexible Developmental States

FTA: Free Trade Agreement

GBER: General Block Exemption Regulation

GDP: Gross Domestic Product

IPCEI: Important Projects of Common European Interest

IRA: Inflation Reduction Act

MFF: Multiannual Financial Framework

MS: Member States

NZIA: Net Zero Industry Act

PPAs: Purchasing Power Agreements

R&D: Research & Development

RRF: Recovery and Resilience Facility

SBA: Small Business Act

SEA: Single European Act

SGP: Stability and Growth Pact

SMEs: Small and Medium Enterprises

TCTF: Temporary Crisis and Transition Framework

TEU: Treaty on the European Union

TFEU: Treaty on the Functioning of the European Union

US: United States (of America)

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Introduction

In the most recent years, the "return" of industrial policy of the European Union (EU) has become an established concept in economic literature and in the public discourse.[1] As a matter of fact, after decades of an approach essentially focused on market liberalization, competition law and regulatory policies, the European Commission (EC) has retaken a more directly interventionist role, especially in response to exogenous shocks like the COVID-19 epidemic, geopolitical tensions, and the speeding of the so-called "twin transition", green and digital.[2]

Within what can be considered a global tendency — which has touched different geo-economic blocs and industrial areas, such as semiconductors, critical materials and defense — specific attention has been given to the area of the transformation of the European industry in response to environmental needs.

In line with the European Green Deal (hereinafter the "EGD"), and following a long public discourse linking environment and industry, the last years have witnessed in this respect the adoption of two specific Acts — the Clean Industrial Deal (hereinafter "CID") and the Clean Industrial Deal State Aid Framework ("CISAF") — which stand out as representatives of this new direction: thus indicating, in strategic terms, the main areas of public sector intervention in the fields, and giving Member States ("MS") orientation and latitude in the mobilizing of financial aid towards unified European goals in the Clean Industry domain.

The aim of this thesis is to examine how the CID and the CISAF fit into the larger context of the EU's so-called "return" to industrial policy. In doing so, it explicitly adopts the theoretical framework of the "Developmental Network State" ("DNS"), as conceptualized by Block and Ó Riain, and enriched by Di Carlo and Schmitz for the case of the EC. This framework identifies multiple roles played by

[1] F. De Ville, 'The Return of Industrial Policy in the European Union', in *Green European Journal*, 2023. Retrieved at: https://www.greeneuropeanjournal.eu/the-return-of-industrial-policy-in-the-european-union/. Last accessed on: August 26th, 2025.
[2] European Commission, Commission's Priorities. Retrieved at: https://commission.europa.eu/priorities-2024-2029_en.

public authorities — “Financier”, “Broker”, “Facilitator”, and “Protector” — to which later research has added the roles of “Strategist” and “Diplomat”. By applying the DNS framework to the CID and CISAF, the thesis seeks to test whether the EC’s activities can be convincingly interpreted through these categories, and to what extent this analysis confirms the validity of the framework for understanding the EU as a “Developmental” actor under the DNS model.

The research question to which this work tries to answer is, therefore, the following: how do the CID and CISAF illustrate the transition of European industrial policy shifted from a regulatory and market-liberal approach to a more interventionist and developmental form when analyzed through the EC’s multiple roles played in the frameworks defined by these two acts?

In order to address this inquiry, the thesis is organized into five sections, respectively dedicated to:

a) the Union’s main turning points on industrial policy, portraying its evolution over time.
b) the reasons behind the “return” of industrial policy in the EU and the possible roles the EC endorses in this process.
c) the context and the main elements of the Clean Industrial Deal.
d) the structure of the CISAF and its implications for MS.
e) the application of the DNS framework to the CID and the CISAF in order to verify how far the EC’s actions correspond to the theoretical roles and to assess how far the analysis supports and confirms the framework’s explanatory power in the EU context.

Methodology

To answer the research question, this thesis adopts a qualitative, explanatory research design. The logic of this inquiry is inductive: the analysis begins with the theoretical framework of the DNS and applies it to the EC, while also refining the framework by highlighting additional roles (the EC as a “Strategist” and a “Diplomat”). The research relies on a document-based methodology, drawing on

official EU communications, legislation, and academic literature. The analytical strategy combines historical process tracing of EU industrial policy with theory-driven interpretation of CID and CISAF, in order to assess both how the EC's roles are operationalized today and how these findings support and confirm the explanatory power of the DNS framework in the EU context.

It is now necessary to outline the theoretical basis underpinning the thesis. Classic Developmental State theory singled out the "Developmental Bureaucratic State" ("DBS") — present, for instance, in postwar Japan and South Korea.[3] In particular, the DBS is characterized by hierarchical and centralized bureaucratic planning, with the State directly guiding industrialization through sectoral strategies and the promotion of "National champions".[4] The DBS was developed to help national firms to "catch up and challenge foreign competitors".[5]

By contrast, Block and Ó Riain conceptualized the notion of the "Developmental Network State" ("DNS"), exemplified by the US and Europe, as an organization where decentralized, networked interventions by public officials foster innovation via targeted financing, brokering and facilitation.[6] So, in the DNS, the State's intervention is less centralized and more flexible than in a DBS, operating through networks of agencies, firms, and knowledge institutions. The DNS is associated with specific roles, such as the "Financier", "Facilitator", "Broker", and "Protector".[7]

In addition to this, Block stresses that the DNS must often operate in a "hidden" form, since overt developmental policies are politically contested in liberal economies.[8] It relies on institutional arrangements that are decentralized but coordinated, insulated from short-term electoral pressures, and oriented toward correcting "network failures" — *i.e.,* situations where innovation networks would

[3] S. Ó Riain, 'The flexible developmental state: Globalization, information technology, and the 'Celtic Tiger'', in *Politics and Society, 28(2)*, 2000, pp. 157-193.
[4] Ibid.
[5] F. Block, 'Swimming against the current: The rise of a hidden developmental state in the United States', in *Politics and Society, 36(2)*, 2008, p. 171. See also S. Ó Riain, *supra* note 3.
[6] Ibid., p. 172.
[7] Ibid.
[8] Ibid.

not spontaneously emerge without state intervention.[9] The DNS thus functions not only as a sponsor of innovation, but also as a guarantor of stability in fragmented, knowledge-intensive economies.

Other than these two figures, a third notion, the one of "Flexible Developmental State" ("FDS"), further highlights the mediation between local innovation systems and global capital flows, relying on 'embedded autonomies' and 'flexible institutions' to foster competitiveness.[10] In particular, Ó Riain defined FDS as organizations being able to nurture networks of production and innovation and to attract investments thanks to the 'multiple embeddedness of the State in networks fostering innovation' and its flexibility.[11] These three models therefore provide the conceptual backdrop against which the EC can be analyzed not only as if it was a State actor, but also as a test case for verifying whether the DNS/FDS framework effectively explains the EC's current industrial policy activity.

Ó Riain further specifies that the FDS is characterized by "loosely coupled" institutions and a dual embeddedness: simultaneously tied into local networks of innovation and into global flows of capital and technology.[12] This flexibility allows the State to act as a mediator, scaling up local technology communities into broader systems, but also exposes it to new vulnerabilities such as uneven globalization or rising inequality.[13] Hence, in contrast to the centralized coherence of DBS, the FDS thrives on institutional diversity and differentiated ties, which enable it to adapt to multiple and shifting demands across levels.

In addition, Block wrote that in DNSs industrial policy is often "hidden" beneath competitiveness-oriented narratives to avoid ideological resistance, thus taking the form of what Ebner defined regulatory industrial policy.[14] This will become particularly relevant in Section 1.3, which refers to the supposed "suspension" of industrial policy in the EU. Ó Riain also adds another fundamental

[9] Ibid.
[10] See S. Ó Riain, *supra* note 3.
[11] Ibid., p. 158.
[12] Ibid.
[13] Ibid.
[14] See F. Block, *supra* note 5, p. 170. See also A. Ebner, 'Entrepreneurial state: The schumpeterian theory of industrial policy and the East Asian "Miracle"', in U. Cantner *et al.* (Eds.), *Schumpeterian Perspectives on Innovation, Competition and Growth*, Springer, New York, 2009, p. 383.

point for this analysis: flexibility and mediation between the global and local level are crucial, but they also make the "State" vulnerable due to possible uneven internationalization or rising inequalities.[15]

Building upon this theoretical background, the thesis applies the DNS/FDS analytical framework to the empirical cases of the CID and CISAF. The purpose of this analytical choice is to examine whether these instruments confirm the explanatory usefulness of the DNS/FDS framework for understanding the EC's evolving roles in the transition from regulatory to developmental industrial policy in the EU. To attain this objective, the work follows Block and Ó Riain's original conceptualization, as further refined by Di Carlo and Schmitz in their specific application to EU industrial policy.[16] The central aim is therefore not only to employ this framework but also to test its capacity to interpret the EC's activity in practice, making the distinct roles identified by these scholars visible across the CID and CISAF.

The scholars hold that the EC does not act as a monolithic actor, rather it carries out a number of distinct tasks.[17] In this respect, Di Carlo and Schmitz add a fourth role to the three identified by Block and Ó Riain, thus, altogether, these are the roles:

i) the "Financier", who mobilizes resources and facilitates the deployment of State aid and EU-level funds;
ii) the "Broker", who promotes relations between public and private actors, along with cross-national and cross-sectoral production;
iii) the "Facilitator", who shapes the regulatory structure of the EU to ease transitions and processes for European firms;

[15] See S. Ó Riain, *supra* note 3.
[16] D. Di Carlo & L. Schmitz, 'Europe first? The rise of EU industrial policy promoting and protecting the single market', in *Journal of European Public Policy, 30(10)*, 2023.
[17] Ibid.

iv) the “Protector”, who shields market entities from non-EU unfair competition, particularly to maintain or reach strategic autonomy in selected sectors.[18]

More recently, two additional functions that the EC plays have been pinpointed: the “Strategist”, indicating and framing the main priorities of EU industrial policy; and the “Diplomat”, who advances EU’s industrial interests globally.[19]

Within this analytical approach, the DNS perspective interprets the EC as a “networked” developmental actor. Through this lens, the EC operates not as a hierarchical planner, but as a “Broker” and “Facilitator” within a web of transnational relationships linking firms, research institutions, and Member States. The DNS thus emphasizes how the EC creates, coordinates, and finances cross-border innovation networks rather than imposing top-down directives.

The FDS perspective, by contrast, underlines the importance of flexibility and multiple embeddedness — the ability of public institutions to connect local innovation ecosystems with global capital and technological flows. In this sense, the EC’s interventions through the CID and CISAF can be interpreted as attempts to mediate between domestic industrial capacities and the pressures of international competition, enabling Europe to maintain both openness and autonomy.

Together, these two lenses reveal complementary dimensions of the EC’s developmental activity. The DNS shows how the EC mobilizes decentralized and cooperative mechanisms of governance, while the FDS highlights its capacity to adapt to multi-level environments and to embed local strengths into broader European and global frameworks. These perspectives jointly illuminate the EC’s hybrid role in industrial transformation, balancing regulatory consistency with adaptive coordination.

[18] Ibid., p. 7.
[19] G.P. Manzella & M. Panucci, ‘Tra Competitività E Coesione: Vicende della politica industriale UE (1958-2025)’, in *Quaderni Svimez, N. 73*, 2025, p. 62.

Accordingly, the empirical chapters project the DNS/FDS theoretical categories onto the CID and CISAF to verify how the EC performs the roles of "Financier", "Broker", "Facilitator", "Protector", "Strategist", and "Diplomat". This approach enables a twofold contribution: it reveals how the EC operationalizes industrial policy through multiple functions and provides evidence for the adequacy of the DNS/FDS model as a lens for understanding the EU's developmental turn.

Thus, the methodology utilized in the current work blends a theory-driven interpretation, grounded in the work of Block and Ó Riain and Di Carlo and Schmitz, with a document-based examination of the CID and CISAF. The theoretical framework structures the identification and differentiation of the EC's roles, while the empirical analysis of these two documents provides the evidence to evaluate how those roles are currently performed.

Chapter 1 — The "Return" of Industrial Policy in the EU

1.1 — Industrial Policy and Its "Return"

Defining industrial policy is not an easy task, and several scholars have advanced their own definition of it. For the scope of this research, Warwick's more inclusive definition will be used, under which:

> 'Industrial policy is any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention'.[20]

Moreover, industrial policy can take different forms: developmental, entrepreneurial, or regulatory.[21] Differently from a regulatory industrial policy, which focuses on market liberalism and regulations, and in contrast to an entrepreneurial industrial policy, which focuses on State ownership and innovation, developmental industrial policy intervenes to support the local assimilation of new technologies and to pursue long-term goals for economic growth.[22]

For the last three decades, leading economists predicated their skepticism over such policy, mostly referring to its likelihood to fail.[23] Not just scholars, but key institutions too — *e.g.*: the World Bank — had essentially banished the expression 'industrial policy' from internal discussions and international reports.[24] In the most recent years, however, there was what has been referred to as a global "return" of industrial policy. While, as some observers have indicated, it would be quite naïve

[20] K. Warwick, 'Beyond Industrial Policy: Emerging Issues and New Trends', in *OECD Science, Technology and Industry Policy Papers, N.2*, 2013, p. 16.
[21] A. Ebner, 'Entrepreneurial state: The schumpeterian theory of industrial policy and the East Asian "Miracle"', in U. Cantner *et al.* (Eds.), *Schumpeterian Perspectives on Innovation, Competition and Growth*, Springer, New York, 2009, p. 383.
[22] H. Gräf, 'A Regulatory-Developmental Turn Within EU Industrial Policy? The Case of the Battery IPCEIs', in *Politics and Governance, 12*, 2024, p. 4.
[23] R. Cherif & F. Hasanov, 'The Return of the Policy That Shall Not Be Named: Principles of Industrial Policy', in *IMF Working Papers (74)*, 2019, p. 9.
[24] R. H. Wade, 'The developmental state: dead or alive?', in *Development and Change (49(2)*, 2017, pp. 5-6. Here Wade also writes about Justin Yifu Lin, Chief Economist and Senior VP at the World Bank, who tried to un-ban industrial policy. He was successful for a bit, but as soon as he left his office, the *status quo* pre-Lin was restored.

to assert that countries had stopped engaging in industrial policy for a couple of decades — as this is a policy that has always adapted to the needs of the State — there is a reason behind the word "return".[25] Recent dynamics such as the 2008 financial crisis, the Covid-19 pandemic, the war in Ukraine, along with raising environmental and digitalization-related concerns have clearly renewed the world's interest in industrial policy.[26]

Within this global trend, the EU has rekindled its commitment to industrial policy, which is now fully considered as a legitimate and necessary policy tool. This is not an entirely new development within a legal order that has historically exhibited distinct phases and shifting attitudes toward industry. In fact, a clear periodization of the EU's engagement towards industrial policy can be identified.

1.2 — The Early Phases of EU Industrial Policy

1.2.1 — Industrial Policy in Postwar Europe

The beginning of European interest in industrial matters is traceable at the start of the European Communities. On April 18th, 1951, the Six Founding Members signed in Paris the first treaty in the history of the Union: the Treaty establishing the European Coal and Steel Community (ECSC).[27] The most prominent goals of the Six in signing this Treaty were to ensure peace in the continent and to allow for the process of economic reconstruction focusing on two crucial sectors of European economy.[28]

Notwithstanding the precedent of this "industrial" Treaty, however, the Treaty of Rome, the second milestone in EU history, did not contain a complete mention to industrial policy.[29] As a matter of fact

[25] See F. Block, *supra* note 5.
[26] A. Hodge, *et al*, 'Industrial Policy in Europe: A Single Market Perspective', in *IMF Working Paper: European Department*, 2024, pp. 24-25.
[27] European Coal and Steel Community, *Treaty establishing the European Coal and Steel Community*, Paris 18th April 1951, entered into force on 23rd July 1952.
[28] Ibid., p. 11 (*Preamble*).
[29] European Economic Community, *Treaty establishing the European Economic Community*, Rome 25th March 1957, entered into force on 1st January 1958.

there were limited references to industrial policy tools: such as the possibility of conceding State aids to enterprises under specific circumstances and the establishment of the European Investment Bank (EIB).[30]

The reasons underpinning this neutral approach lie within the immediate postwar period, when industrial policy was essentially carried out by MS, with the principal objectives of government intervention being (i) to shield the domestic economy from external pressures; (ii) to reduce regional economic disparities; (iii) to foster employment; (iv) and to ensure the universal provision of essential services.[31]

These in fact were years during which MS did not face many restrictions on their power to intervene in their national economy. Two specific attitudes can be singled out in this respect. In the immediate postwar period, the 1950s, it was recorded a strong State national intervention and industrial planning.[32] For example, Italy relied heavily on the *Istituto per la Ricostruzione Industriale*, a State holding company that owned and managed broad segments of heavy industry, transport and other sectors;[33] West Germany experienced its economic miracle thanks to State-led coordination.[34] Whereas in the 1960s the general tone evolved through more attention on the dimension and competitiveness of firms, with growing attention to creating businesses able to represent their home countries in the international arena.[35] What was once considered a sectoral matter, a type of

[30] Ibid., arts. 92, 129-130.
[31] F.W. Scharpf, 'Economic Changes, Vulnerabilities, and Institutional Capabilities', in F.W. Scharpf & V.A. Schmidt (Eds.), *Welfare and Work in the Open Economy Volume I: From Vulnerability to Competitiveness in Comparative Perspective*, Oxford University Press, Oxford, 2000, pp. 22-68.
[32] M. Höpner & A. Schäfer, 'A New Phase of European Integration: Organised Capitalisms in Post-Ricardian Europe', in *West European Politics, 33(2)*, 2010, p. 349.
[33] V. Zamagni, 'The building of new foundations', in V. Zamagni (Ed.), *The Economic History of Italy 1860-1990*, Oxford University Press, Oxford, 1993.
[34] W. Abelshauser, 'A Living Past', in W. Abelshauser (Ed.), *The Dynamics of German Industry: Germany's Path Toward the New Economy and the American Challenge*, Berghan Books, New York, 2005.
[35] G. Owen, 'Industrial Policy in Europe since the Second World War: What Has Been Learnt?', in *ECIPE Occasional Paper, 1/2012,* 2012, p. 5.

relationship that the government had with the entire industry, then became increasingly linked to specific firms: the so-called national champions.[36]

Table 1.1 Summary of the Acts in the 1950s

1951	Treaty establishing the European Coal and Steel Community
1957	Treaty establishing the European Economic Community

1.2.2 — The 1960s and Early 1970s: First European Initiatives

In parallel to these national initiatives, during the 1960s, the European Communities began to sketch the outlines of a common industrial policy through measures that combined workforce development, regional restructuring, and broader economic integration. As an example of this new approach, it can be indicated the establishment of the general principles of a common vocational training policy, signaling that industrial competitiveness depended also on the skills and adaptability of Europe's labor force (Council Decision n. 266 published in 1063).[37] At the same time, a series of industrial reconversion and regional development programs (for instance in Montceau-les-Mines and Piombino) demonstrated the Community's concern with the decline of traditional industries and the need to support structural adjustment in vulnerable regions.[38]

This European Community's essentially hands-off approach towards industrial policy soon showed its limitations. The turning point, in this respect, can be placed at the end of the 1960s, when the

[36] J. Hayward, 'Introduction: Europe's Endangered Industrial Champions', in J. Hayward (Ed.), *Industrial Enterprise and European Integration: From National to International Champions in Western Europe*, Oxford University Press, Oxford, 1995, p. 1.
[37] Council of Ministers of the European Communities, Decision, 'laying down general principles for implementing a common vocational training policy', N. 63/266/EEC, 2nd April 1963.
[38] Archive of European Integration, Montceau-les-Mines. Retrieved at: https://aei.pitt.edu/36584/1/A2572.pdf. See also Archive of European Integration, Piombino. Retrieved at: https://op.europa.eu/it/publication-detail/-/publication/ad3dbeb1-6e55-4358-91b0-6dcea597a1ae/language-it?utm.

Community's economy was facing increasing competition from US firms and slowing growth.[39] In this respect, a signal of change was the 1969 address to the EP of EC President Jean Rey, where he emphasized that the task of the Communities was no longer just the removal of trade barriers, rather the creation of the structural conditions for sustained growth, highlighting the importance of industrial modernization, research, and technological progress as central pillars for Europe's competitiveness.[40] More specifically, he framed industrial policy not as an isolated sectoral tool but as part of a wider strategy to consolidate the Common Market and reinforce Europe's role on the world stage.[41]

In this new context, in the spring of 1970, the so-called "Memorandum Colonna" was published, named after the then Commissioner for Industrial Affairs Guido Colonna di Paliano.[42] This act is, by many means, a real milestone for EU industrial policy not only because it mentioned it explicitly for the first time, but also because it included references to concepts and themes that were to come back in the following years: technological independence and raw materials; regional policy and territorial cohesion; attention to workers and their skills.[43] In particular, this was the first instance in which the protection of the natural environment was considered within the priorities of the Community.[44] Amongst the tools indicated by the Memorandum, mergers — having the final scope of creating fully "European companies" — were among the most important, with a clear priority over any other measure, unless they were counter-productive.[45]

[39] P. Temin, 'The Golden Age of European Growth: A Review Essay', in European Review of Economic Theory, 1, 1997, p. 128, 146.
[40] M. Jean Rey (President of the Commission of the European Communities), *Discourse to the European Parliament,* Strasbourg 15th May 1968.
[41] Ibid.
[42] European Commission, Memorandum of Understanding, 'Principles and General Datelines of an Industrial Policy for the Community', COM (70) 100, Brussels 18th March 1970.
[43] Ibid.
[44] Ibid.
[45] Ibid., p. 18.

Alongside Guido Colonna di Paliano, Altiero Spinelli — one of the pioneers of European integration and European Commissioner between 1970 and 1976[46] — had an instrumental role in advancing supranational strategies for economic cooperation that subtly included industrial policy. In line with the ideas he had first expressed in the "Ventotene Manifesto", Spinelli kept advocating for an increased institutional authority at the Community level.[47] More specifically, he was clear in indicating the need to increase capabilities that might coordinate vital industries like telecommunications, electricity, and steel.[48]

In this respect, he was among the first political personalities to argue that Europe required more than just market liberalization to undergo industrial change; it also needed its own instruments. Decades before they resurfaced in modern politics, it can be said that Spinelli's ideas for industrial cooperation mechanisms foreshadowed, therefore, many of the current discussions around European "Strategic autonomy".

Table 1.2 Summary of the Acts in the 1960s

1963	Council Decision N. 63/266/EEC	Common vocational training policy.
1967	Memorandum on Community Industrial Policy (SEC. 67/1201)	Sets out goals and actions for achieving a Community Industrial Policy.
1969	Jean Rey's Speech to the European Parliament	Industrial policy as a tool to strengthen the Common Market.
1970	Memorandum Colonna, by Guido Colonna di Paliano (COM. N. 70/100)	• Protection of the natural environment. • European champions.

[46] European Union, Altiero Spinelli. Retrieved at: https://european-union.europa.eu/principles-countries-history/history-eu/eu-pioneers/altiero-spinelli_it.
[47] A. Spinelli & E. Rossi, 'Compiti del Dopo Guerra: L'Unità Europa', in G. Civati (Ed.), *Il Manifesto di Ventotene*, People S.r.l., Busto Arsizio, 2023 (original: Rome, 1944), ch. 2.
[48] J. Pinder, 'Altiero Spinelli's EuropeanFederal Odyssey', in *The International Spectator, 42(4)*, 2007, p. 577.

1.2.3 — The Oil Crisis and The EU Industrial Policy Reaction

Unfortunately, however, Colonna's and Spinelli's proposals were stalled due to the first oil shock in 1973, which worsened the negotiations with the already reluctant MS that did not want to give that much power to the Commission. Nonetheless, while the 1973 crisis played against them, it actually paved the way for Étienne Davignon, the Commissioner for Internal Market, Customs Union, and Industrial Affairs in the years between 1977 and 1981.[49] The oil shock hit the EU so hard that there were talks about the end of the common market, especially in view of the impact it had on the steel sector. Given the depth of the crisis, industrial policy was seen as the only way out, and in 1977, the EC implemented the Davignon Plan, which aimed at restructuring the steel sector.[50] Using some procedures and funds set up with the ECSC Treaty, the Plan introduced *inter alia* production and import quotas, Community loans and grants for modernization and a price hike on steel products.[51]

Table 1.3 Summary of the Acts in the 1970s

1973	Memorandum on the technological and industrial policy program (SEC73 1090)	Establishing a European industrial base in view of the economic and monetary union.
1977	Davignon Plan	• Restructuring the steel sector.

1.3 — The "Suspension" of Industrial Policy: 1980s to Early 2000s

Notwithstanding these crucial steps, the next period — from the 1980s to the early 2000s — saw what has been termed a "suspension" of industrial policy at the European level.[52] Several factors contributed to this shift, including: the leaving behind of Keynesian macroeconomics in favor of inflation-targeting by independent central banks; the inefficiency of state-owned enterprises (SOEs);

[49] Politico, 'Belgium's Driving Force'. Retrieved at: https://www.politico.eu/article/belgiums-driving-force/.
[50] D. Felisini & P. Paesani, 'Industrial Policy and its Funding at the Frontier of European Integration: Lessons from the Past and Present Challenges', in *Enterprise and Society, 1*, 2024, pp. 7-8.
[51] L. Schulman, 'The Davignon Plan for Europe's Steel', in *Executive Intelligence Review, 6(13)*, 1979, p. 52.
[52] F. Mosconi, 'The Single Market And The Development Of 'European Champions'', in *XVI Conferenza Scientifica Nazionale AISSEC,* 2008, p. 17.

the globalization of value chains;[53] the spread of neoliberalism and privatization practices;[54] and the *anti-dirigiste* turn after *Cassis de Dijon*, which curtailed State intervention by prioritizing market liberalization over protectionism, which subordinated industrial policy to the logic of the internal market and effectively suspended dirigiste industrial policy in the EU.[55]

Thereafter, another proof of this transition towards a "neutral approach" to industrial policywas the Bangemann Report, promoted by Commissioner Martin Bangemann in 1990.[56] This Communication documented the passage from focusing on declining industries to emphasizing the so-called strategic industries, *i.e.*, sectors relying on generic technologies.[57] More specifically, the Report stated that governments should act as facilitators, finding the path for industry and catalyzing change.[58] This viewpoint reflected the adoption of a "horizontal" approach to industrial policy, directed at designing framework conditions and bolstering competitiveness *across* sectors, rather than intervening in individual industries. This same orientation was then echoed in the Maastricht Treaty, thus contributing to the "constitutionalization" of (an indirect) industrial policy in the EU.[59]

This suspension illustrates the dominance of a regulatory-market paradigm, thus a regulatory industrial policy. In this thesis it is argued that this form of industrial policy has been later replaced by a developmental logic embodied in the CID and CISAF.

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[53] F. Bulfone, 'Industrial Policy and Comparative Political Economy: A Literature Review and Research Agenda', in *Competition and Change, 27(1)*, 2023, p. 27.
[54] F.W. Scharpf, 'The European Social Model: Coping with the Challenges of Diversity', in *Journal of Common Market Studies, 40(4)*, 2002, p. 647.
[55] Court of Justice, Judgement, 20th February 1979, C-120/78, *Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein*.
[56] European Commission, Working Paper, *Industrial Policy In An Open And Competitive Environment (Bangemann Memorandum)*, Brussels 14th December 1990.
[57] P. Bianchi & S. Labory, 'From 'old' industrial policy to 'new' industrial development policies', in P. Bianchi & S. Labory (Eds.), *International Handbook on Industrial Policy,* Edward Elgar Publishing Limited, Cheltenham, 2006, p. 13. 'Generic technologies' are defined as advanced technological platforms characterized by broad cross-sectoral applicability and high research and development intensity.
[58] See European Commission, *supra* note 56.
[59] See P. Bianchi & S. Labory, *supra* note 57, p. 13.

1.3.1 — The 2000 Lisbon Strategy

After industrial policy was envisaged in the Maastricht Treaty, the dawn of the new millennium brought a stronger push towards its application in the European economy. The main reason behind this is that, at the end of the 20th century, EU GDP *per capita* was roughly ¾ of US levels, which alarmed Europeans of a possible decline of the overall economy against the American economic take-off.[60] Hence, the EUCO in 2000 tried to make the EU become 'the most competitive, knowledge-based economy in the world' able to maintain sustainable growth by the end of 2010.[61] In this context, the "Lisbon Strategy" was an attempt to relaunch the European economy, helping it become an economic power within a constrained time frame.[62]

The EUCO's initiative was possible also thanks to the endorsement of the then EC's President, Romano Prodi, who, being an expert in industrial policy, used his experience to face the mounting international competition and slow EU productivity growth. The Lisbon Agenda, however, was mainly focused on the innovation side of the economy, and although it was a step forward, it was still not enough. Real change came only after the 2008 financial crisis.

Table 1.4 Summary of the Acts in the 1980s, 1990s and Early 2000s

1987	Single European Act	New competences related to industrial policy. Towards its constitutionalization.
1990	Bangemann Report (COM. N. 1990/556)	• Strategic industries. • From vertical to horizontal approach to industrial policy.
1993	Treaty on the European Union	• Constitutionalization of industrial policy.
2000	Lisbon Strategy	• Relaunch the European economy. • Focus on innovation.

[60] C. Denis *et al.*, 'The Lisbon Strategy and the EU's Structural Productivity Problem', in *European Economy - Economic Papers 2008 – 2015*, *N. 221*, 2005, p. 9.
[61] European Council, Presidency Conclusions, *Lisbon European Council 23 And 24 March 2000*, 2000, p. 2. Retrieved at: https://aei.pitt.edu/43340/1/Lisbon_1999.pdf. Last accessed on May 6th, 2025.
[62] M. Gajewski, 'Policies Supporting Innovation in the European Union in the Context of the Lisbon Strategy and the Europe 2020 Strategy', in *Comparative Economic Research, 20(2)*, 2017, p. 112.

1.4 — From the First Signs to the Actual U-Turn of Industrial Policy

1.4.1 — The 2008 Financial Crisis and EU Resilience

As a matter of fact, the acceleration of the return of attention towards industrial policy is linked to the effects of the 2008 global financial crisis. The latter not only had disruptive consequences on the EU economy and society, but it also forced the Union to take decisive action to avoid deepening the consequences of the financial crisis on the economy. Moreover, despite the first references to the green sector in the 1970s with the Memorandum Colonna, it is at that time that EU policymaking witnesses what can be defined as the "green turn" of industrial policy. In this direction, the first "turning point" happened in 2008 with EC Communication 2008/706, which reflects the distance from the *laissez-faire* approach of the previous two decades, as it explicitly supports coordinated fiscal stimuli, public investments, direct aid to industries — in particular to SMEs — and state aid under the Stability and Growth Pact (SGP).[63] Overall, it highlighted the cruciality of innovation, education, clean technologies, public-private partnerships, and EU financing tools, other than re-legitimizing public intervention.[64]

Nearly a month later, the EC launched the European Economic Recovery Plan, an injection of EUR 200 billion to boost EU demand respecting the SGP.[65] Although it did not explicitly mention "industrial policy", the Plan introduced several key initiatives, like: (i) "Innovation Union", to increase funds for R&D; (ii) "Resource efficient Europe", to support the transition towards a low-carbon economy and renewable energy; and (iii) an "industrial policy for the globalization era" to

[63] European Commission, Communication, October 29th 2008, N. COM(2008) 706, *From Financial Crisis to Recovery: A European Framework for Action*. Retrieved at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0706:FIN:EN:PDF. Last accessed on: May 8th, 2025.
[64] Ibid.
[65] European Commission, Communication, 26th November 2008, N. COM(2008) 800, *A European Economic Recovery Plan*, p. 2. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008DC0800. Last accessed on: May 8th, 2025.

enhance the business environment, with a keen eye for SMEs.[66] This paved the way for the ideological shift that occurred in the following decade, which was fundamental for modern industrial policy.

1.4.2 — EU Reorientation in the 2010s

It is in the second decade of the new millennium that the EC published a series of communications that explicitly referred to industrial policy. The first one was adopted in October 2010, concerning an integrated industrial policy for the globalization era.[67] With this piece of legislation, the EC placed industry once again at the heart of EU's economic strategy, adopting a holistic approach and integrating industrial policy with other crucial policy areas, such as, *inter alia*, competitiveness, energy and carbon efficiency, and access to finance.[68]

The second one aimed primarily at helping the EU go through the crisis and was thus focused on enhancing innovation and technological competitiveness of the MS.[69] It emphasized the need for a competitive and sustainable industrial base to drive economic growth and societal progress.[70] Trying to reduce fragmentation, the EC proposed to strengthen the coordination between MS' industrial policies; and to provide a forum to share best practices on how to promote growth through industrial policies.[71]

A third one was published in 2012, facing a worsening crisis, which saw decreasing production and increasing unemployment.[72] This communication in fact proposed a EU-MS partnership with the industry to drastically increase investment in new technologies, giving Europe the lead in what was

[66] Ibid., pp. 5-6.
[67] European Commission, Communication, 28th October 2010, N. COM(2010) 614, *An Integrated Industrial Policy for the Globalisation Era: Putting Competitiveness and Sustainability at Centre Stage*. Retrieved at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0614:FIN:EN:PDF. Last accessed on: May 9th, 2025.
[68] Ibid., pp. 5-18.
[69] European Commission, Communication, 14th October 2011, N. COM(2011) 642, *Industrial Policy: reinforcing Competitiveness*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0642. Last accessed on: May 9th, 2025.
[70] Ibid., p. 3.
[71] Ibid., pp. 4-12.
[72] European Commission, Communication, 10th October 2012, N. COM(2012) 582, *A Stronger European Industry for Growth and Economic Recovery*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0582. Last accessed on: May 9th, 2025.

considered the new "industrial revolution". In this occasion, the EC identified six different priority action lines on which to focus EU and Member States' efforts: (i) advanced manufacturing technologies; (ii) key enabling technologies; (iii) bio-based products; (iv) sustainable construction and raw materials; (v) clean vehicles; and (vi) smart grids.[73]

These three acts paved the way for the EC to promote, in 2014, an initiative ambitiously named "Industrial Renaissance", since the crisis was approaching its end, and it had highlighted the importance of a strong industrial base.[74] The document sets the ambitious goal of raising the contribution of industry to EU GDP to 20% by 2020.[75] Pivotal to the evolution of industrial policy were the "Smart Specialization strategies" (S3), allowing European regions to focus on their comparative advantages and create cross-European value chains.[76] The introduction of S3 exemplifies the link between industrial, regional, and cohesion policies. These are place-based innovation policies requiring EU regions to identify and invest in their own competitive strengths and priority sectors. S3 aim to concentrate resources on areas with the highest growth potential, foster research and innovation ecosystems, and avoid fragmentation or duplication of efforts across the Union.[77]

Lastly, in the second half of the 2010s, the EC presented an industrial policy strategy, reaffirming industrial policy as a central pillar of the EU's economic framework and presenting the new priority of the Union: the twin transition, digital and green.[78] It mainly focuses on industrial digital

[73] Ibid.
[74] European Commission, Communication, 22nd January 2014, N. COM(2014) 14, For a European Industrial Renaissance. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0014&. Last accessed on: May 9th, 2025.
[75] Ibid., p. 23.
[76] Ibid., p. 9.
[77] European Commission, Smart Specialization Strategies. Retrieved at: https://ec.europa.eu/regional_policy/policy/communities-and-networks/s3-community-of-practice/about_en.
[78] European Commission, Communication, 13th September 2017, N. COM(2017) 479, *Investing in a smart, innovative and sustainable Industry: A renewed EU Industrial Policy Strategy*. Retrieved at: http://eur-lex.europa.eu/resource.html?uri=cellar:c8b9aac5-9861-11e7-b92d-01aa75ed71a1.0001.02/DOC_1&format=PDF. Last accessed on: May 10th, 2025.

transformation and sustainable growth, boosting innovation and R&D, and the strengthening of industrial ecosystems.[79]

Adopting a more cohesive approach, the EC coordinated a series of EU policy areas — *e.g.*: single market, innovation, digital, environment, finance, and skills — under one industrial vision.[80] This communication was the precursor of the 2020 industrial strategy, which signaled the completed "return" of industrial policy in the EU.

Table 1.5 Summary of the Acts in the Late 2000s and Early 2010s

2008	EC Communication 2008/706	Re-legitimizes direct State intervention.
2008	European Economic Recovery Plan (COM. 2008/800)	• Injection of €200 billion. • Ideological shift towards industrial policy.
2010	EC Communication 2010/614	Industry at the heart of the EU economic strategy.
2011	EC Communication 2011/642	Union-wide coordination on industrial policies.
2012	EC Communication 2012/582	Invest in new technologies.
2014	For a European Industrial Renaissance (COM. 2014/14)	Raising the EU GDP contribution to industry

1.4.3 — The U-Turn at the Beginning of the 2020s

At the end of the 2010s, EU industrial policy thus began focusing on specific and more strategic sectors, in accordance with the priorities and needs of the Union. The first policy milestone showcasing this transition was the 2019 "European Green Deal" (hereinafter "EGD").[81] The EGD

[79] Ibid., pp. 4-16.
[80] Ibid.
[81] European Commission, Communication, 11th December 2019, N. COM(2019) 640, *The European Green Deal*. Retrieved at: https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF. Last accessed on: May 13th, 2025.

strives to transform the EU into a just and flourishing society, with a competitive economy that efficiently allocates resources.[82] The main goals advanced with the EGD were to: (i) achieve climate neutrality by 2050; (ii) cut emissions by 55% against 1990 levels by 2030; (iii) decouple economic growth from fossil fuels; and (iv) to make the economy clean, circular, and energy-efficient.[83]

It was the 2020 "New Industrial Strategy" that advanced the sectoral and policy tools to deliver the EDG targets, signaling what can be considered the U-turn of EU industrial policy.[84] Reflecting the environmental concerns of the EGD, this communication aimed at achieving climate neutrality but also digital leadership to ensure global competitiveness, while supporting SMEs and guaranteeing a fair internal market.[85] Just after the publication of this document, the world was hit by the outbreak of the Covid-19 pandemic, which called for an update. In fact, in 2021, the EU published the modified industrial strategy to face the massive supply chain disruptions and the concerning strategic dependencies of MS.[86] Reflecting the worrying dynamics caused by the pandemic, this document focused on reinforcing the EU's strategic autonomy in key sectors and adapting the initiatives of the previous strategy to the new circumstances.[87]

Following this line of thought, starting in 2023, the EU elaborated several legislative acts to regulate and set priorities in key sectors. The first and most pivotal among these was the Green Deal Industrial Plan, which laid the groundwork for the European Chips Act, the Critical Raw Materials Act (CRMA), the Net Zero Industry Act (NZIA), and ultimately the Clean Industrial Deal.[88] The Plan is

[82] M. Smol, 'Is the green deal a global strategy? Revision of the green deal definitions, strategies and importance in post-COVID recovery plans in various regions of the world', in *Energy Policy, 169(1)*, 2022, p. 6.
[83] European Commission, see *supra* note 81.
[84] European Commission, Communication, 10th March 2020, N. COM(2020) 102, *A New Industrial Strategy for Europe*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0102. Last accessed on: May 13th, 2025.
[85] Ibid.
[86] European Commission, Communication, 5th May 2021, N. COM(2021) 350, *Updating the 2020 New Industrial Strategy*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0350. Last accessed: May 13th, 2025.
[87] Ibid.
[88] European Commission, Communication, 1st February 2023, N. COM(2023) 62, *A Green Deal Industrial Plan for the Net-Zero Age*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0062. Last accessed on: May 15th, 2025.

structured around four pillars: (i) a predictable and simplified regulatory environment; (ii) faster access to funding; (iii) enhancing skills and education; and (iv) open trade for resilient supply chains.[89] By promoting the development and manufacturing of clean technologies, it enhances the EU's strategic autonomy and industrial base, while also promoting sustainable growth.[90]

Most recently, the EC unveiled the Competitiveness Compass 2025 in January 2025.[91] The Communication is a five-year strategic roadmap that addresses three key challenges:

i) reducing excessive dependencies;
ii) ensuring a just decarbonization and competitiveness roadmap;
iii) closing the innovation gap.[92]

In turn, these challenges were supported by five horizontal enablers:

i) simplification;
ii) the removal of single market barriers;
iii) efficient financing;
iv) skills development;
v) coordinated policy implementation.[93]

In addition to outlining specific initiatives like the CID and the Affordable Energy Action Plan, it was structured based on Mario Draghi's 2024 Competitiveness Report.[94] Among the latest EU industrial policy document is in fact the CID, within which one of the main elements is the CISAF. These two will be analyzed in Chapters 3 and 4, respectively.

[89] Ibid.
[90] Ibid.
[91] European Commission, Communication, 29th January 2025, N. COM(2025) 30, *A Competitiveness Compass for the EU*. Retrieved at: https://commission.europa.eu/topics/eu-competitiveness/competitiveness-compass_en. Last accessed on: July 21st, 2025.
[92] Ibid.
[93] Ibid.
[94] M. Draghi, 'The Future of European Competitiveness: Part B — In-Depth Analysis and Recommendations', 2024, p. 280. Retrieved at: https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

Furthermore, industrial policy in the defense sector has been and still is subject to regulation, given the geopolitical situations present both in Ukraine and in the Middle East. This pushed the EU to present, in March 2025, two initiatives in this field: the "ReArm Europe Plan/Readiness 2030", a roadmap to strengthen EU's defense industrial base by boosting joint procurement and production of defense equipment;[95] and the "White Paper for European Defense", outlining the strategic vision of the EU as a security provider.[96]

Still another sector under scrutiny, other than environment and defense, is the one of Artificial Intelligence (AI). Part of its industrial policy strategy, the EU published in April 2025 the "AI Continent Action Plan", a strategy to scale up AI adoption across sectors and public services that complements the AI Act.[97] In addition, the EU is planning to adopt another initiative in this direction in Q3 of 2025, the "Apply AI Strategy", which aims at speeding up the uptake of AI in strategic sectors (healthcare, industry, and public services).[98]

These acts are the culmination of this new trajectory, marking the shift towards a developmental industrial policy in which the EC acts simultaneously as Strategist, Financier, Broker, Facilitator, Protector, and Diplomat.

[95] European Parliament, Brief, *ReArm Europe Plan/Readiness 2030*, 4th March 2025. Retrieved at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS_BRI(2025)769566_EN.pdf.
[96] European Commission, White Paper for European Defense. Retrieved at: https://defence-industry-space.ec.europa.eu/eu-defence-industry/introducing-white-paper-european-defence-and-rearm-europe-plan-readiness-2030_en.
[97] European Commission, AI Continent Action Plan. Retrieved at: https://digital-strategy.ec.europa.eu/en/library/ai-continent-action-plan.
[98] European Commission, Apply AI Strategy. Retrieved at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14625-Apply-AI-Strategy-strengthening-the-AI-continent_en.

Table 1.6 Summary of the Acts of the Late 2010s and Early 2020s

2019	European Green Deal (COM. N. 2019/640)	Climate neutrality and circular economy.
2023	Green Deal Industrial Plan (COM. N. 2023/62)	• Groundwork for CID; • 4 Pillars.
January 2025	Competitiveness Compass (COM. N. 2025/30)	Increase EU competitiveness.
February 2025	Clean Industrial Deal (COM. N. 2025/85)	Clean-tech competitiveness and decarbonization of EU industry.
March 2025	White Paper for European Defense and ReArm Europe Plan/Readiness 2030	Strengthening defense and joint procurement.
April 2025	AI Continent Action Plan (COM. N. 2025/165)	Complementary to the AI Act, aimed at introducing AI in all sectors.
June 2025	Clean Industrial Deal State Aid Framework — CISAF (COM. N. 2025/3602)	State aid framework to reach CID goals.
Q3 2025	Apply AI Strategy	Speeding up AI uptake in strategic sectors.

Chapter 2 — Reasons for the Return and the Commission's Roles in Industrial Policy

The U-turn of industrial policy in the EU was not only the result of the evolution of legislative acts. As a matter of fact, the return of industrial policy can be justified by at least four intertwined sets of reasons: political; cultural; geopolitical; and technological. Here below is a brief overview.

2.1 — Cultural Motives

A decade before politics moved, the academic world had already begun the cultural shift towards the reintroduction of industrial policy in the scholarly debate. Discussing each piece of work that contributed to this transition would require a separate paper. Nonetheless, it is worth mentioning some of the most influential works: Rodrik's 'Normalizing Industrial Policy,' Mazzucato's 'The Entrepreneurial State,' and Chang's 'Industrial Policy in the 21st Century'. The success of these literary pieces, together with other reports following the same line of thought, have bestowed upon the idea of public intervention supporting the industry a new status, taking away that 'taboo' label it once had.

2.2 — Political Motives

The political turning point in the renewed curiosity in industrial policy was the 2016-7 takeover of the German KUKA Group by the Chinese appliance giant Midea.[99] While officially compliant with existing EU law, the merger triggered widespread concerns in both Germany and Brussels related to the loss of control over a strategic technology champion. This event highlighted the how naïve it was for the EU to adopt an "open doctrine" against coordinated state-led industrial strategies as China's. This case, now known as the "KUKA Moment," changed Germany's liberal position on industrial

[99] H. Han *et al*., 'Analysis of M&A in Electrical Manufacturing Enterprises: Evidence from Midea's Acquisition of KUKA', in *Highlights in Business, Economics and Management, 14(1)*, 2023, p. 124.

policy, and catalyzed a broader reassessment of the Union's attitude towards foreign acquisitions in strategic sectors.[100]

Soon after, France — which after Brexit became the leader in the cultural discourse on industrial policy in Europe — and Germany tried to face international competition by merging two major firms: Siemens and Alstom.[101] Their attempt at a more assertive EU industrial strategy was blocked by the EC as it would have harmed competition.[102]It was this political dynamic that prompted the review of the EU industrial strategy in 2020.

2.3 — Geopolitical Motives

The onset of the Covid-19 pandemic in early 2020 highlighted the fragility of global supply chains and revealed the (great) extent of Europe's reliance on external countries for crucial goods, such as medical supplies, raw materials, and key technologies. This disruption prompted a significant reevaluation of the EU's role in the global economic landscape and represented a pivotal moment in the conversation surrounding its industrial policy. The worldwide reaction to these emerging challenges can be broadly summarized by three main trends: (i) increased competition in vital sectors like semiconductors and clean technologies; (ii) coordinated efforts to minimize strategic dependencies, especially in the areas of energy, health, and digital infrastructure; and (iii) a revival of state-led industrial intervention, which includes reshoring initiatives and investments in domestic manufacturing capabilities.

These trends were notably reflected in the EU's shifting stance towards China. Although the relationship had been characterized as a strategic partnership since 2003, by 2019, the European

[100] Z.T. Chan & S. Meunier, 'Behind the screen: Understanding national support for a foreign investment screening mechanism in the European Union', in *The Review of International Organizations, 17(1)*, 2021.
[101] Alstom, Press Resleases and News, 26th December 2017, *Siemens and Alstom join forces to create a European Champion in Mobility*. Retrieved at: https://www.alstom.com/press-releases-news/2017/9/siemens-and-alstom-join-forces-to-create-a-european-champion-in-mobility. Last accessed on: May 27th, 2025.
[102] European Commission, Decision, 6th February 2019, C(2019) 921 N. M8677, *declaring a concentration to be incompatible with the internal market and the functioning of the EEA Agreement*. Retrieved at: https://ec.europa.eu/competition/mergers/cases1/20219/m8677_9376_7.pdf. Last accessed on: May 27th, 2025.

Commission officially categorized China as both an economic competitor and a systemic rival — a classification that marked a significant transformation in political and economic relations.[103] This redefinition of global interactions intensified the EU's ambition to establish a more resilient, self-sufficient, and strategically managed industrial framework, paving the way for initiatives such as the Green Deal Industrial Plan, the CRMA, and ultimately also the CID.

2.4 — Technological Motives

A significant factor contributing to the resurgence of industrial policy in Europe is the technological aspect, particularly the continent's increasing recognition of its stagnation compared to global rivals in crucial advanced sectors. The EU's ability to maintain its status as an industrial power has been increasingly questioned amidst rapid technological developments, especially in fields like digitalization, artificial intelligence (AI), microelectronics, and other groundbreaking innovations that are vital for industrial competitiveness in the 21st century.

In contrast to the US and China, the EU has been viewed more as a follower than a leader regarding both private investment and public support for key technologies.[104] This technological disparity threatens not only to weaken Europe's productivity and potential for innovation but also its strategic independence, given the close relationship between technological capabilities and geopolitical influence.

Simultaneously, the climate crisis intensified the urgency for industrial transformation. As previously discussed, the implementation of the European Green Deal in 2019 represented a pivotal moment in EU policy, positioning environmental sustainability as both a critical societal necessity and a potential driver of economic renewal. Consequently, industrial policy was redefined, no longer regarded as an

[103] European Commission, Communication, 12th March 2019, JOIN(2019) 5, *EU-China —A strategic outlook*. Retrieved at: https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf. Last accessed on: May 27th, 2025.
[104] J.E. Stiglitz, 'Leaders and followers: Perspectives on the Nordic model and the economics of innovation', in *Journal of Public Economics, 127(1)*, 2015, pp. 3-16.

outdated form of interventionism but as a vital instrument to ensure Europe's leadership in the dual digital and green transitions reshaping the global industrial landscape.

2.5 — The different 'roles' of the European Commission in EU Industrial Policy

The return of industrial policy in the EU would not have been possible without the work of the European Commission. To categorize the different roles that the EC has had in this process, it is useful to draw from Block's and Ó Riain's literature on Developmental Network States (DNS).[105] Di Carlo and Schmitz expanded this theory, and they indicated that DNS' public officials intervene through these main functions:

(i) targeted financing;

(ii) (ii) brokering;

(iii) (iii) facilitation;

(iv) (iv) protection.[106]

After the historical analysis carried out in the previous section, however, it can be added that the EC has at least two additional roles: strategist and diplomat.

Going directly to the point, this section presents a brief description of such functions with practical examples to support the argument that the EC was the main driver of EU industrial policy and ultimately principal supporter of the new state aid framework for clean technologies.

a) — The EC as a Financier

Targeted resourcing demands public consultations between public officials, civil society, and business, aimed at identifying the most pressing challenges so to provide the necessary funding to

[105] See F. Block, *supra* note 5, pp. 169-206. See also S. Ó Riain, *supra* note 3, pp. 157-193.
[106] See D. Di Carlo & L. Schmitz, *supra* note 16, p. 7.

allow for innovative solutions and breakthroughs.[107] The EU has two main sets of financing: direct financing, with the capital coming straight from the EU budget; indirect financing, through which money is provided through market mechanisms and investments.[108] Examples of direct financing are Horizon Europe, Cohesion Fund, the RRF, the Just Transition Fund, or also the European Defense Fund. Indirect financing, instead, can be seen through the European Investment Bank, the European Investment Fund, or the European Investment Council.

b) — The EC as a Broker

Brokering involves establishing connections between researchers in universities, government labs, or industry to promote innovation.[109] It entails creating networks that allow technologists to link up with private or public investors to secure the funding required for product development and commercialization.[110] Through this role, the EC is also able to put the public and private sectors together to discuss about a strategic topic, for instance: semiconductors, batteries, critical raw materials. Two major instruments the EC deploys as a broker are industrial alliances and Important Projects of Common European Interest (IPCEIs). Since 2017, the EC has advanced at least 11 industrial alliances[111] and 10 IPCEIs.[112]

c) — The EC as a Facilitator

Facilitation entails regulatory measures, including strategic re-regulation, establishing standards, or simplifying administrative processes, which enhance the functioning of market participants and encourage investments in emerging strategic sectors.[113] To clarify, two instruments that the EC has

[107] Ibid., pp. 7-8.
[108] See G.P. Manzella & M. Panucci, *supra* note 19.
[109] Ibid., p. 8.
[110] Ibid.
[111] See: https://single-market-economy.ec.europa.eu/industry/industrial-alliances_en. Last accessed on: June 2nd, 2025.
[112] See: https://competition-policy.ec.europa.eu/state-aid/ipcei/approved-ipceis_en. Last accessed on: June 2nd, 2025.
[113] See D. Di Carlo & L. Schmitz, *supra* note 16, p. 8.

deployed to help with the process of the twin transition are the European Digital Innovation Hubs (EDIHs) and the Europe Enterprise Network (EEN).

The EDIHs assist businesses in improving their operational and production strategies, as well as their products or services, by leveraging digital technologies.[114] This support includes access to specialized expertise and testing facilities, allowing companies the opportunity to "test before they invest", along with providing innovation services such as guidance on financing, training, and skill enhancement.[115] The EEN, instead, comprises a network of expert business consultants throughout Europe, specializing in sustainability.[116] They provide professional advice on sustainable and circular business models, green innovations, and technologies, as well as practices tied to energy and resource efficiency, waste and water management, and sustainable finance.[117]

d) — The EC as a Protector

Protection refers to the actions taken by public authorities, such as tariffs or non-tariff regulatory barriers, aimed at safeguarding domestic market participants from foreign competition.[118] This can be based on factors like national security, unfair competition, or the desire to shield local economic players from the rivalry posed by nations or firms with superior technology.[119] Exemplifying elements of the EC's protective function are surely the Regulation on Foreign Direct Investments (FDI) screening mechanisms[120] and the Regulation on foreign subsidies.[121]

Other tools that the EC has at its disposal are the anti-coercion mechanisms, which serve to respond effectively when external countries implement coercive economic measures aimed at influencing the

[114] See https://digital-strategy.ec.europa.eu/en/policies/edihs. Last accessed on: June 2nd, 2025.
[115] Ibid.
[116] See https://een.ec.europa.eu/about-enterprise-europe-network. Last accessed on: June 2nd, 2025.
[117] Ibid.
[118] See D. Di Carlo & L. Schmitz, *supra* note 16, p. 8.
[119] Ibid.
[120] European Parliament and Council of the European Union, Regulation, 19th March 2019, OJ L. 791 2019/452, *establishing a framework for the screening of foreign direct investments into the Union*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0452. Last accessed on: June 2nd, 2025.
[121] European Parliament and Council of the European Union, Regulation, 14th December 2022, OJ L. 330 2022/2560, *on foreign subsidies distorting the internal market*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2560. Last accessed on: June 2nd, 2025.

EU or its MS to select specific policy paths. Such coercive measures may include raising customs duties, rescinding or halting export and import licenses, or enacting discriminatory restrictions in areas like public procurement.[122] With this mechanism, the EU can implement proportionate and targeted countermeasures to protect its economic and political interests, maintain the integrity of its internal market, and preserve the independence of its decision-making processes in the face of external pressures.

e) — The EC as a Strategist

It can also be argued that the EC functions as a central strategist in shaping the industrial policy of the EU, through both extensive planning and the establishment of specific sectoral strategies. This strategic role operates on two main levels: (a) horizontally, by collaborating with all pertinent stakeholders — including industries, research organizations, and regional authorities — to guarantee coherence and inclusivity in policymaking; and (b) vertically, by encouraging alignment and execution across Member States and national institutions.[123]

The Commission is actively involved in the development, design, and implementation of both general and sector-specific industrial strategies and routinely assesses and reports on their results.[124] In this process, it enhances competitiveness, encourages innovation, promotes essential enabling technologies, advocates for corporate social responsibility, and ensures the safeguarding of industrial property rights. A primary aim of this strategic position is to foster a business-friendly atmosphere that bolsters the EU's industrial foundation, supports sustainable job creation, and drives economic growth, while increasingly focusing on minimizing external dependencies and strengthening supply chain resilience.[125]

[122] See D. Di Carlo & L. Schmitz, *supra* note 16, p. 8.
[123] See G.P. Manzella & M. Panucci, *supra* note 19.
[124] See European Commission, *supra* note 91.
[125] Ibid.

f) — The EC as a Diplomat

Industrial policy is increasingly being implemented on an international level, and the European Commission's role in advocating for the EU's industrial interests is becoming more significant. In reaction to significant global changes — such as the US Inflation Reduction Act (IRA), which provided substantial subsidies for domestic green technologies[126] — the Commission has been actively involved in diplomatic efforts to ensure fair competition for European businesses. Likewise, the EU has addressed China's rising industrial assertiveness by enhancing its external engagement and advocating for fairer competition standards.

A critical component of this international industrial diplomacy is the establishment of a so-called "Raw Materials Diplomacy", through which the Commission aims to secure strategic partnerships with resource-rich nations, especially in Africa and Latin America, to ensure access to vital raw materials needed for Europe's green and digital transitions.[127] This new diplomatic aspect complements the EU's internal industrial strategy, positioning the Commission as a global player in shaping the environment for European industrial competitiveness and strategic independence.

[126] United States Congress, Public Law (Act), 16th August 2022, N. 117-169, *Inflation Reduction Act of 2022*. Retrieved at: https://www.congress.gov/bill/117th-congress/house-bill/5376. Last accessed on: June 9th, 2025. The IRA is the US climate and energy law that commits substantial federal funding to support clean energy deployment, manufacturing, and infrastructure. It includes provisions for loan and loan-guarantee programs to retool, repower, or replace energy infrastructure, promote clean technology supply chains, assist advanced vehicle manufacturing.

[127] M. Amoah Awuah, 'Raw materials diplomacy and extractives governance: The influence of the EU on the African extractive industry space', in *South African Journal of International Affairs, 26(2)*, 2019.

Chapter 3 — The Clean Industrial Deal

3.1 — The Clean Industrial Deal in Detail

The "Clean Industrial Deal" (hereinafter also CID) has to be viewed in the historical and analytical framework that has been traced in the previous chapters. Formally adopted in early 2025, the CID is a strategic document that has clear objectives: answer to growing geopolitical concerns, ensure clean tech competitiveness, and decarbonize Europe's productive base while maintaining its global competitiveness.[128] More specifically, it strives for the deep decarbonization of energy-intensive sectors — *e.g.*: steel, chemicals, cement, and aluminum — and to foster the scaling up of net-zero technology manufacturing within the EU, thus reducing dependence on imports and strengthening the Union's technological sovereignty.[129]

The attainment of the objectives is linked to the creation of a predictable and innovation-friendly regulatory environment, and the support and upscaling of European production capacities in pivotal areas like, for instance, renewable hydrogen, battery manufacturing, carbon capture and storage, heat pumps, and clean mobility technologies.[130]

3.1.1 — Objectives and Principles of the CID

By combining industrial competitiveness, climate action, and strategic autonomy into a single agenda, the CID does not only indicate a set of policy instruments. It recognizes the interdependence of energy transition, technology leadership, and geoeconomic security. Some main axes can be recognized in the Deal.

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[128] M. Jugé *et al*., 'Clean industrial transformation: where does Europe stand?', in *Bruegel*, 2025. Retrieved at: https://www.bruegel.org/analysis/clean-industrial-transformation-where-does-europe-stand. Last accessed on: May 15th, 2025.

[129] European Commission, Communication, 26th February 2025, N. COM(2025) 85, *The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonization.* Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0085. Last accessed on: May 15th, 2025.

[130] O. Sartor *et al.*, 'A Clean Industry Package for the EU: Making sure the European Green Deal kick-starts the transition to climate-neutral industry', in *Agora Energiewende,* 2020.

The relationship between ecological and economic: The dichotomy and somewhat paradox of the "Earth's crisis" and economic growth has been studied for a long time, but scholars still disagree on how to foster progress of industry without damaging the environment.[131] One of the main tenets of the CID, evident from the title of the communication, is that ecological and economic imperatives should be considered as mutually reinforcing rather than as trade-offs.[132] By showing that the green transition can be a source of value creation, technological leadership and skilled employment — particularly in sectors at the core of the EU economy like steel, chemicals, cement, and automotive manufacturing — the policy framework and rhetoric aims to dispel this separation between industry and environment.[133]

The need for resource efficiency: To this end, at the core of the CID lies a concept of reindustrialization based on resource efficiency, digital integration, and clean production systems. In order to reduce resource consumption and strategic dependence, the CID encourages more circularity in industrial processes.[134] Through market-creation tactics — including regulatory certainty and early assistance for innovation adoption, it also seeks to increase demand for climate-neutral products.

The importance of the definition of a stable investment climate: Simultaneously, the CID highlights the significance and importance of a stable and predictable investment climate, which is necessary to encourage both public and private finance and de-risk large-scale clean technology projects.[135]

The commitment to equity and social cohesion: In addition to that, the CID restates the EU's commitment to equity and social cohesion. It acknowledges that the shift to a climate-neutral economy needs to be equitable, inclusive, and balanced in terms of territory.[136] To facilitate a just transition, this entails resolving regional differences in industrial capacity, guaranteeing access to

[131] K. Okuma, 'Introduction', in Fujimoto, T. & Aruka, Y. (Eds.), *The Evolving Relationship between Economy and Environment: Theory and the Japanese Experience*, Springer, Singapore, 2017, p. 3.
[132] See European Commission, *supra* note 129.
[133] Ibid.
[134] Ibid., p. 2.
[135] Ibid., p. 9.
[136] Ibid., p. 20.

reasonably priced sustainable energy, and making investments in worker reskilling and skill development.[137] The enduring tenets of the European social market economy are reflected in these social aspirations, which are not incidental; rather, they are structurally incorporated in the logic of the CID.

The choice of technological neutrality: Fourth, it is worth mentioning the CID's dedication to technological neutrality. This principle states that policymakers should not discriminate in favor or against specific technologies and/or producers.[138] Technological neutrality then guarantees that public support systems do not favor any one clean technology ahead of time; rather let competition and innovation find the most effective and scalable solutions. This idea is essential to preserving an industrial policy framework that is dynamic and adaptable to changing market conditions and technological advancements to reduce the competitiveness gap.[139]

The importance of coordinated governance: Lastly, the CID also indicated the need for an effectively-coordinated governance, also referred to as "centralized coordination", between the EU and its MS. Centralized coordination is defined as a way to manage 'interdependencies between activities performed to achieve a goal'.[140] To put it under the perspective of European policy, with this governance model decision making and control would be assigned to supranational institutions — for instance, to the EC; whereas the implementation of policies would be carried out by MS in a coordinated manner. Recognizing that fragmented national action alone cannot accomplish the magnitude of transformation needed, the CID promotes this model, thereby encouraging cross-border collaboration, strategic alignment, and shared investment.[141]

[137] Ibid.
[138] A. Ojanen, 'Technology Neutrality as a Way to Future-Proof Regulation: The Case of the Artificial Intelligence Act', in *European Journal of Risk Regulation, 1*, 2025, p. 2.
[139] M. Draghi, see *supra* note 91.
[140] J., Groenendaal, *et al.*, 'A Critical Examination of the Assumptions Regarding Centralized Coordination in Large-Scale Emergency Situations', in *Journal of Homeland Security and Emergency Management, 10(1),* 2013, p. 117.
[141] See European Commission, *supra* note 129.

3.2 — Pillars and Operational Tools of the Clean Industrial Deal

Given this set of principles, the strategic framework defined by the CID is structured into six fundamental sections, which can be considered as its six pillars.

Table 3.1 Summary of the Pillars of the CID

Pillar 1	Access to Affordable Energy	• Action Plan for Affordable Energy to create an Energy Union. • Rule harmonization and flexibility.
Pillar 2	Boosting Clean Supply and Demand	• Industrial Decarbonization Accelerator Act. • Planned 2026 reform of Public Procurement Framework.
Pillar 3	Public and Private Investments	• EU-level funds. • CISAF for national State aid.
Pillar 4	Circular Economy	• Circular Economy Action Plan to speed up the transition. • Planned 2026 Circular Economy Act.
Pillar 5	International Partnerships	• Importance of Free Trade Agreements. • Clean Trade and Investment Partnerships to foster cooperation on clean tech.
Pillar 6	Skills and Quality Jobs	• Union of Skills strategy. • Skills Portability Initiative and Quality Jobs Roadmap.

3.2.1 — Access to Affordable Energy

The CID pushes towards a significant advancement for establishing a unified energy market and a Energy Union. In alignment with this goal, the EC introduced the "Action Plan for Affordable Energy" (APAE), structured around three core components: (i) reducing energy expenses, (ii) expanding clean energy adoption and electrification, and (iii) maintaining efficient gas market operations.[142] Stakeholders have welcomed several APAE initiatives — *e.g.*: clean flexibility instruments (PPAs aligned with clean electricity consumption), three-way contracts involving firms, producers and MS, and ways to avoid price-surges during energy crises — but urge that these must be designed to properly integrate in the market, and not just to be used as emergency-only options.[143] Some stakeholders push for inclusive access (also for SMEs), transparent and harmonized rules, and regulatory certainty so that flexibility becomes a standard tool rather than a residual add-on.[144]

3.2.2 — Boosting Clean Supply and Demand

The CID acts also on supply and demand.

As to demand, the EC's indications are for the demand of decarbonized products to emerge, contributing to the EU's long-standing goal of creating a market for captured carbon.[145] Other tools envisioned by the CID, acting on the supply side, are public procurement policies. In this respect, it is expected that the "Industrial Decarbonization Accelerator Act" (IDAA) will introduce specific criteria to foster clean European supply for EIIs.[146] In the IDAA, standards are a crucial tool to ensure interoperability, transparency, and credibility across technologies such as hydrogen, and circular

[142] European Commission, Communication, 26th February 2025, COM(2025) 79, *Action Plan for Affordable Energy*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0079. Last accessed on: June 22nd, 2025.
[143] Smart Energy Europe, Position Paper, *Leveraging Demand-Side Flexibility to implement the EU Action Plan for Affordable Energy*, 15th May 2025. Retrieved at: https://smarten.eu/reports/position-paper-leveraging-demand-side-flexibility-to-implement-the-eu-action-plan-for-affordable-energy/.
[144] Ibid.
[145] See European Commission, *supra* note 129.
[146] European Commission, Industrial Decarbonization Accelerator Act. Retrieved at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14505-Industrial-Decarbonisation-Accelerator-Act-speeding-up-decarbonisation_en. The abovementioned criteria — *e.g.*: clean, resilient, circular, cybersecure — will strengthen demand for EU-made clean products.

economy processes, while also supporting public procurement and market uptake through clear technical baselines.[147]

At the same time, there are risks of regulatory overlap with existing instruments and regulations.[148] Furthermore, by embedding robust monitoring and verification standards, the IDAA can safeguard against greenwashing and foster trust in industrial decarbonization projects, while the strategic use of public procurement could amplify its impact by rewarding sustainable practices.[149]

In this regard, the EC will propose a revision of the Public Procurement Framework in 2026, allowing for sustainability, resilience and European preference criteria in EU public procurement for strategic sectors.[150] While the 2014 Directive improved transparency and competition, sustainability criteria were optional, favoring lowest-price tenders, the proposed reform aims to make environmental and social criteria mandatory, emphasize total cost and life-cycle value, and simplify procedures.[151]

3.2.3 — Private and Public Investments

Given the expected need to increase the EU's yearly investments in energy, industrial innovation, and the transportation infrastructure, estimated at almost €480 billion, specific relevance is given in the context of the Act to financing.[152] In this domain, the CID has clear guidelines in different directions, which can relate either to 'direct' financing, 'indirect' financing, and MS involvement.

[147] CEN & CENELEC, Position Paper, 'Call For Evidence on the Industrial Decarbonization Accelerator Act', 2025. Retrieved at: https://www.cencenelec.eu/media/CEN-CENELEC/News/Brief%20News/2025/cen-cenelec-industrial-decarbonisation-accelerator-act-position-paper.pdf.
[148] Like the EU Taxonomy or the Eco-design and Sustainable Products Regulation.
[149] See CEN & CENELEC, *supra* note 147.
[150] European Commission, News, 11th March 2025, *European Commission unveils the Competitiveness Compass for future growth and the Clean Industrial Deal*. Retrieved at: https://public-buyers-community.ec.europa.eu/news/european-commission-unveils-competitiveness-compass-future-growth-and-clean-industrial-deal. Last accessed on: June 24th, 2025.
[151] International Institute for Sustainable Development, Explainer, 'Public Money, Public Value: The European Union's Public Procurement Directive review explained', 5th September 2025. Retrieved at: https://www.iisd.org/articles/explainer/european-union-public-procurement-directive-review.
[152] B. Galgóczi, 'The Commission's Clean Industrial Deal Communication', in *European Trade Union Industry*, 15th May 2025. Retrieved at: https://www.etui.org/news/commissions-clean-industrial-deal-communication#:~:text=The%20Commission%20reiterates%20that%20the,requires%20immediate%20access%20to%20capital. Last accessed on: June 25th, 2025.

A summary of the different financing possibilities can thus be traced along the following lines:

i) In the upcoming Multiannual Financial Framework (MFF), the proposed Competitiveness Fund (ECF) will facilitate access to EU money and encourage innovative industries for sustainable investment.[153] More specifically, in the EC's proposal, the ECF has been designed in order to merge existing EU programs into a single, streamlined tool, having common rules, providing coordinated support across the entire investment cycle through grants, other financial instruments, and the possibility of financing advisory services.[154] Within the next MFF (2028–2034), the Fund would contribute towards the simplification of the budget structure, the reduction of fragmentation and inefficiencies, and the strengthening of the EU's ability to direct resources toward strategic sectors.[155]

ii) Among the proposed initiatives, the "Innovation Fund" can be considered as an important support tool for EU industries to fund clean tech manufacturing and industrial decarbonization initiatives.[156] The Innovation Fund is financed outside the MFF, but it complements it by channeling plenty of resources into clean technologies that align with EU budgetary priorities on climate and industrial competitiveness.[157] Its scale — around €40 billion through 2030 — adds predictable, long-term funding to the EU financial framework, reinforcing green transition goals without drawing directly on traditional MFF allocations.[158]

iii) Additionally, the EC will propose the establishment of an "Industrial Decarbonization Bank" (IDB).[159] The IDB is a planned €100 billion EU tool meant to speed up the green transition of

[153] See European Commission, *supra* note 129.
[154] European Commission, Proposal for a Regulation, 16th July 2025, COM(2025) N. 555/2, *establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities.* Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0555R(01). Last accessed on: September 14th, 2025.
[155] European Commission, DG for Internal Market, Industry, Entrepreneurship and SMEs, *Study supporting the impact assessment on a competitiveness fund for the next MFF – Analysis of costs and benefits and comparison of options, analysis of the replies to the public consultation*, 2025. Retrieved at: https://data.europa.eu/doi/10.2873/4832440.
[156] Crelens, Innovation Fund. Retrieved at: https://www.euinnovationfund.eu/. Last accessed on: June 25th, 2025.
[157] European Climate, Infrastructure and Environment Executive Agency, Innovation Fund. Retrieved at: https://cinea.ec.europa.eu/programmes/innovation-fund_en.
[158] Ibid.
[159] See European Commission, *supra* note 129.

heavy industry by financing low-carbon processes and infrastructure.[160] Funded through channels such as the Innovation Fund, ETS revenues,[161] and InvestEU, it will form part of the CID and complement other EU measures like State aid, auctions, and product standards.[162] A formal proposal is expected in 2026, with the IDB intended to provide predictable, large-scale investment to help industries cut emissions while safeguarding competitiveness.[163]

iv) Furthermore, the EC will introduce a flagship "Horizon Europe" call, including the creation of public-private partnerships to accelerate commercialization.[164] Horizon Europe, the EU's research and innovation program (~ €95.5 billion) focused on tackling climate change, will be renovated for the period 2028-2034.[165] The new version aims to expand further (~ €175 billion), simplify procedures, emphasize strategic priorities (green & digital transition, European competitiveness), and strengthen its ties with instruments such as the ECF. [166]

v) With InvestEU being the main EU-level tool to harvest private funding, the EC will also collaborate with the EIB on new projects that will benefit the industries that the CID is targeting.[167] InvestEU is the EU's 2021–27 investment program, using a €26.2 billion EU guarantee to mobilize over €370 billion in public and private financing for sustainable infrastructure, innovation, SMEs, and social projects.[168]

vi) Also relevant to this domain is the fact that the EC, the EIB Group, and private investors will implement a "TechEU" investment program.[169] More specifically, TechEU aims at accelerating innovation across Europe by giving startups, scale-ups, and tech-driven firms

[160] Carbon Gap, Industrial Decarbonization Bank. Retrieved at: https://tracker.carbongap.org/policy/industrial-decarbonisation-bank-idb/.
[161] The EU ETS trading system is a complex framework aimed at reducing GHG emissions. In a few words, firms buy and sell carbon-allowances to emit a certain amount of GHG. The revenues from this system flow directly to MS. For the specific functioning of this system, refer to: https://climate.ec.europa.eu/document/download/5dee0b48-a38f-4d10-bf1a-14d0c1d6febd_en?filename=factsheet_ets_en.pdf.
[162] See Carbon Gap, *supra* note 160.
[163] Ibid.
[164] See European Commission, *supra* note 129. Here it is evident not only the EC's role as a Financier, but also its brokering function, given the promotion of public-private partnerships.
[165] European Commission, Horizon Europe. Retrieved at: https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls_en.
[166] Ibid.
[167] European Union, InvestEU. Retrieved at: https://investeu.europa.eu/index_en. Last accessed on: June 25th, 2025.
[168] Ibid.
[169] See European Commission, *supra* note 129.

quicker and simpler access to financing, advisory services, guarantees, and equity-type support.[170] It focuses on priority sectors like clean tech, life sciences, digital tech, AI, defense, and space[171] to close the funding gap and boost industrial policy, innovation, and scale up businesses in the digital and green sectors, as stated in the Competitiveness Compass.[172]

Additionally, the CID explicitly connects its financing system to the broader framework of State aid, which is defined in detail by the CISAF.[173] In this sense, the CID does not only outline EU-level instruments, but sets the principles that guide MS' public financing strategies. By embedding its initiatives within the CISAF, the EC ensures that State aid measures stay in line with EU's objectives while avoiding subsidy races or market fragmentation.

This linkage allows large-scale projects, such as IPCEIs in hydrogen or batteries, to benefit simultaneously from EU financing tools and coordinated State aid under the new rules. The result is a dual-level approach, where the CID mobilizes Union-wide financial resources, while CISAF provides a flexible and legally secure environment for MS to complement these efforts with targeted State aid.

Also relevant the fact that, concerning State aid, the main item anticipated is the review of the General Block Exemption Regulation (GBER), to determine whether and how State aid regulations may be modified to give businesses greater incentives to invest in people's skills.[174] Of course, the review of the GBER stands independently and does not interfere with the CISAF.

[170] T. Djurickovic, 'EIB Group launches TechEU Platform to boost financing for Europe's innovators', in *Tech.eu*, 2025. Retrieved at: https://tech.eu/2025/08/25/eib-group-launches-techeu-platform-to-boost-financing-for-europes-innovators/. The program will unlock €250 billion in investments by 2027, backed by about €70 billion of direct EIB/EIF funding.
[171] Ibid.
[172] See European Commission, *supra* note 91.
[173] See European Commission, *supra* note 129.
[174] European Commission, Regulation, 17th June 2014, OJ L. 187 651/2014, *declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0651. Last accessed on July 18th, 2025.

3.2.4 — Circular Economy

The EC, as strategically indicated by the CID, will take on different tasks to boost circular economy, in line with the EU Circular Economy Strategy and the Circular Economy Action Plan (CEAP).[175] The CEAP, adopted in March 2020, is a core component of the EGD, aiming to shift the EU toward a cleaner, more competitive economy.[176] The EU must accelerate its transition toward a fully circular economy, with, for instance, stricter rules on design (durability, repairability, recyclability), higher producer responsibility, digital product passports, and boosting recycling.[177]

In this general context of activity, some specific actions are anticipated which allow to define a specific role for the EC. For example, in the CID it is indicated that the EC will create a platform for demand aggregation and matchmaking mechanism for strategic raw materials, along with a EU Critical Raw Materials Centre to jointly buy raw materials for interested firms and together with MS.[178] The CID provides, *inter alia*, for the adoption of a Circular Economy Act in 2026 to boost the circular transition.[179]

3.2.5 — International Partnerships

On the basis of the fifth pillar of the CID, the EU must keep on signing, completing, and fully implementing any outstanding Free Trade Agreements (FTAs). FTAs are crucial tools for the EU to export its standards globally, not just through binding rules but as spaces of "economic diplomacy", as they allow the EU to work with partners to agree on sustainable development standards — such as climate, environmental, labor norms.[180] FTAs can help accelerate adoption of quasi-standards, foster

[175] Ibid.
[176] European Commission, Circular Economy Action Plan. Retrieved at: https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en.
[177] Center for Sustainability and Excellence, 'The EU's Road to a Circular Economy by 2025: Key Steps and Challenges', in *Blog*, 2025. Retrieved at: https://cse-net.org/eu-road-to-a-circular-economy-by-2025-key-steps-and-challenges/.
[178] See European Commission, *supra* note 129.
[179] Ibid.
[180] G. Messenger, 'Free Trade Agreements as Sites of Economic Diplomacy: Agreeing Common Standards for Sustainable Development', in *World Trade Review, 24(2)*, 2025, pp. 194-213.

regulatory cooperation, reduce trade friction through common technical rules, and strengthen the EU's role in shaping global sustainable trade regimes.[181]

Moreover, in the CID it is indicated that these agreements can be complemented more quickly by Clean Trade and Investment Partnerships (CTIPs), combining regulations, investment, and regulatory cooperation to create strategic clean value chains with partners.[182] CTIPs are meant to speed up and tailor cooperation with partner countries on clean energy, critical raw materials, technology, investment, skills, and regulatory alignment.[183] Critically, while CTIPs offer promise, their non-binding nature, questions of transparency, and the challenge of delivering concrete outcomes remain important concerns.[184]

In this international dimension, the CID indicated three main areas should be the focus of the EU's strategic approach to energy cooperation: economics, technical aid, and diplomacy, while also coordinating with MS.[185]

3.2.6 — Skills and Quality Jobs

The last pillar of the CID focuses on skills and workers. Mismatches between the supply and demand for skilled workers, combined with institutional differences between high- and low-skilled labor markets lead to higher unemployment and lower productivity, while also exacerbating inequalities in employment, wages, and consumption.[186] Moreover, because institutions treat skilled and unskilled workers differently, shocks hit each group in different ways, making unemployment more persistent and reducing job quality.[187]

[181] Ibid.
[182] See European Commission, *supra* note 129.
[183] A. Wolf, 'Clean Trade and Investment Partnerships', in *Center for European Policy Network*, 2025. Retrieved at: https://www.cep.eu/eu-topics/details/clean-trade-and-investment-partnerships.html. The first CTIP was stipulated with South Africa in 2025, coupled with a €4.7 billion Global Gateway investment package
[184] Ibid.
[185] See European Commission, *supra* note 129.
[186] M. Abbritti & A. Consolo, 'Labour market skills, endogenous productivity and business cycles', in *European Economic Review, 170(1)*, 2024.
[187] Ibid.

As known, the EC has already laid out a Union of Skills as a strategy to give workers the abilities necessary to realize their full potential and guarantee that employers have access to the knowledge they need.[188] Crucially, the Skills Portability Initiative makes it easier for a talent learned in one nation to be accepted in another.[189] Part of the new "Union of Skills", this initiative aims to make skills and qualifications more easily recognized and accepted across EU Member States — regardless of where they were acquired.[190] It promotes use of digital credentials and intends to help workers move more freely, reduce mismatches in the labor market, and assist businesses in recruiting across borders.[191]

Another tool in this direction indicated in the CID is the "Quality Jobs Roadmap", which will assist both MS and industry in offering respectable working conditions.[192] This initiative, to be adopted by end-2025, seeks to ensure that jobs in the EU are not just available, but high quality — offering fair wages, good working conditions, strong skills training, and protections for workers and the self-employed.[193] It is tied to the twin transition and focuses also on collective bargaining coverage, fair job transitions, and resilience in changing labor markets.[194]

[188] European Commission, Communication, 5th March 2025, COM(2025) 90, *The Union of Skills*. Retrieved at: https://commission.europa.eu/topics/eu-competitiveness/union-skills_en. Last accessed on: June 29th, 2025.
[189] Ibid.
[190] European Commission, News, 5th March 2025, 'Union of Skills strategy to equip people for a competitive Europe'. Retrieved at: https://employment-social-affairs.ec.europa.eu/news/union-skills-strategy-equip-people-competitive-europe-2025-03-05_en?utm_source=chatgpt.com.
[191] Ibid.
[192] European Commission, News, 16th April 2025, *Executive Vice-President Mînzatu kicks off exchanges with social partners on the Quality Jobs Roadmap*. Retrieved at: https://employment-social-affairs.ec.europa.eu/news/executive-vice-president-minzatu-kicks-exchanges-social-partners-quality-jobs-roadmap-2025-04-16_en. Last accessed on: June 29th, 2025.
[193] European Commission, Quality Jobs Roadmap. Retrieved at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14707-Quality-Jobs-Roadmap_en.
[194] Ibid.

Chapter 4 — The CISAF and Its Implications for Member States

4.1 — The CISAF in Detail

As seen in the previous chapter and explicitly recognized, in order to attain the strategic objectives set out by the CID, it is crucial to activate financial resources: of a public and private nature, both at European and national level. While the deployment of private resources is attained through, for instance, the EIB, and EU public resources are pursued via the MFF and, in perspective, the Competitiveness Fund, a crucial aspect is the involvement of State aid.

In this respect, as one of the CID's main initiatives, the CISAF was approved on 25th June 2025, regulating the modalities and criteria of State aid measures that crowd in private investment, by providing MS with a planning horizon of five years and firms with more investments to contribute to the CID's goals.[195]

With the CISAF, the EC substitutes the Temporary Crisis and Transition Framework (TCTF) aiming at simplified and flexible rules that will allow for rapid approval of State aid measures for decarbonization and clean tech projects, while avoiding distortions in the single market.[196] The TCTF, introduced in 2023, allowed EU MS to give subsidies for clean tech and net-zero industrial production in reaction to the US IRA.[197] While the TCTF and related EU State-aid guidelines are formally administrative instruments, they carry legal effects that go beyond mere guidance: they shape expectations, constrain discretion of authorities, influence investment decisions, and create de facto standards of legitimacy.[198] In particular, the authors highlight that TCTF's provisions were exerting

[195] European Commission, Communication, 4th July 2025, C/2025/3602, *Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal State Aid Framework)*. Retrieved at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202503602. Last accessed on: July 22nd, 2025.
[196] Ibid.
[197] S. Sühnel & G. Ramacher, 'Projections and Future Perspectives of TCTF and IRA in a Political Context', in *PwC Legal Germany,* 2024. Retrieved at: https://legal.pwc.de/en/news/articles/projections-and-future-perspectives-of-tctf-and-ira-in-a-political-context.
[198] S. Gierow, 'Beyond administrative guidance: legal effects of state aid guidelines and the need for judicial review', in *European Competition Journal, 21(1)*, 2025.

normative power: even when not legally binding, their existence influences which projects are considered acceptable, leading to greater predictability and accountability.[199]

4.1.1 — Objectives, Principles, and Pillars

The main ultimate goals of the CISAF are to expedite the dual processes of decarbonization and reindustrialization, and to foster innovation throughout the European industrial ecosystem. [200] This dual goal is achieved by promoting the supply and demand for products and services that support the EU's industrial and environmental goals, guaranteeing that businesses throughout the Union have access to reasonably priced and dependable energy sources, and fostering an atmosphere that facilitates the quick uptake and expansion of clean technologies.[201] In this respect, the framework emphasizes the mobilization of significant private capital in conjunction with strategically placed State aid to unlock additional investment, close financing gaps, and overcome market failures, acknowledging that market dynamics alone may not generate the scale or pace of investment required.[202]

Strengthening Europe's strategic resilience is a key tenet of the CISAF.[203] The strategy calls for the development of enough local manufacturing capacity in clean technologies and the diversification of supply chain, identifying supply security in sectors crucial to the green and digital transitions as a priority.[204] To ensure that policies intended to safeguard strategic autonomy do not unnecessarily distort competition or split the single market, resilience-building is conducted in tandem with maintaining internal market integrity. By limiting a concentration of advantages in a small number of regions, the CISAF seeks to ensure that the benefits of economic transformation are shared fairly.[205]

[199] Ibid.
[200] See European Commission, *supra* note 195.
[201] Ibid.
[202] Ibid.
[203] Ibid., p. 1.
[204] Ibid., p. 2.
[205] Ibid.

A significant social and environmental component is also incorporated into the framework. It gives special attention to promoting the development of good, long-lasting jobs and easing equitable, inclusive labor market transitions.[206] Investing in upskilling and reskilling programs to give workers the competences needed by developing industrial sectors is part of this. By giving priority to initiatives that integrate environmental protection measures, enhance circular economy models, and encourage the growth of a sustainable bioeconomy, the CISAF simultaneously aims to strengthen the EU's long-term environmental obligations.[207]

The CISAF's provisions are centered around three interconnected axes that together influence how it is implemented. Facilitating investment in clean technology and decarbonization projects is the first axis.[208] In addition to increasing production facilities and manufacturing capacity, this calls for quickening the adoption of cutting-edge industrial solutions that can accelerate the EU's transition to climate neutrality. Within this axis, State aid initiatives aim to guarantee that potential enterprises can proceed from concept to commercialization, remove financial and regulatory obstacles, and give investors long-term stability.[209]

Pursuing supply security and strategic resilience is the second axis. Here, the CISAF discusses the risks that come with relying too much on non-EU vendors for essential raw materials, components, and technologies.[210] In order to protect Europe's industrial base from geopolitical disruptions, the framework encourages cross-border industrial cooperation within the EU, diversifies import sources, and supports domestic capacity-building.[211]

The last axis consists in protecting a competitive and cohesive internal market. State aid can be a potent tool for accomplishing strategic goals, but it must be used carefully to prevent MS from engaging in subsidy races or increasing gaps in their ability to support domestic businesses, as written

[206] Ibid.
[207] Ibid., p. 43.
[208] Ibid., p. 2.
[209] Ibid.
[210] Ibid., p. 15.
[211] Ibid.

in the CISAF.[212] Conditions that protect fair competition, level the playing field, and guarantee that industrial policy supports balanced regional development are how this principle is operationalized.

4.2 — CISAF's National Implications and Criticalities

The CISAF's adoption has important implications for EU MS. While it gives governments legal stability and predictability concerning the financial activity towards enterprises by creating a unified framework, its implementation will unavoidably have different consequences throughout the Union, reflecting national variations in political priorities, industrial base, and budgetary capability.

4.2.1 — Investment and Industrial Transformation

The most immediate consequence of CISAF lies in the Member States' increased ability to encourage investment in clean technologies. Since State aid can attract private financing and speed up industrial projects that could otherwise go unfunded, MS have now a wider and more defined margin to help domestic industries. However, different MS may have different capacity to take advantage of this framework, due to disparities in fiscal space. Richer governments are better able to allocate funds to key areas, while nations with tighter budgets run the risk of falling behind and exacerbating industrial development disparities within the EU. Moreover, States with higher carbon-intensive productive model will face greater restructuring obstacles, while "cleaner" nations will consolidate their position and develop even further.

These fiscal and technological fragmentations risk hampering CISAF's efforts for the European industrial transformation, unless some conditionalities in favor of disadvantaged nations are applied. In his report, as a general solution to these differences, Draghi strongly advised to implement both a Fiscal Union and a Capital Markets Union.[213]

[212] Ibid., p. 52.
[213] See M. Draghi, *supra* note 91.

4.2.2 — Political Dynamics and Strategic Autonomy

Another direct consequence of CISAF, considering also its fiscal and financial implication, relates to the political dynamics involved within and across MS. In addition to controlling the political ramifications of State aid distribution, governments must strike a balance between domestic economic interests and promises made to the entire EU. The perceived benefits enjoyed by larger economies may be criticized by domestic stakeholders in nations with narrow fiscal margins. This can exacerbate disputes over justice, especially between the North and the South or between bigger and smaller MS. Moreover, given the recent rise of right-wing populism in the EU, the perceived or actual differences in the use of State aid under CISAF may trigger and give power to euro-skeptic movements in countries like Italy or France.[214]

The politics surrounding the CISAF also directly impacts the EU's quest for strategic autonomy, especially in the clean tech sector. The framework promotes in fact the EU's collective sovereignty in important industrial domains by empowering MS to encourage the growth of clean technology capabilities and lessen reliance on third parties.[215] Good intentions notwithstanding, coordinated activity is key for this endeavor to be successful. CISAF runs the risk of turning into a platform for national competitiveness rather than European sovereignty, if national strategies continue to be disjointed or inward-looking. Conversely, if MS coordinate and follow the EC, the framework might strengthen the Union's overall standing in the world's economic and technological race.

4.2.3 — Bureaucracy, Expertise and SME

An often overlooked aspect in regulations or guidelines such as the CISAF is the degree of complexity of the rules. While big corporations have the technical and financial means to follow and respect all conditionalities — or at least to try to do it, for SMEs and small mid-caps it is a whole different story.

[214] J. Cliffe *et al*., 'Rise to the Challengers: Europe's Populist Parties and its Foreign Policy Future', in *European Council of Foreign Relations: Policy Brief*, 2025, p. 2. Retrieved at: https://ecfr.eu/wp-content/uploads/2025/06/Rise-to-the-challengers-Europes-populist-parties-and-its-foreign-policy-future.pdf.
[215] See European Commission, *supra* note 195.

The rhetoric of rule-simplification has been taken on by the EC and reiterated by Draghi in his report last year, where he wrote that too many complex rules decrease the competitiveness of the EU compared to other regions of the world.[216]

The issue of over-regulation and complex rules particularly impacts those MS with a high concentration of SMEs, such as Germany, Italy, Spain, and Sweden.[217] The CISAF, although it introduces important rules for decarbonization which ultimately will contribute to an increase in EU competitiveness, is not a simplification, rather a further complication, causing confusion not just among entrepreneurs, but among experts and regulators, too.

4.3 — Tools Helping both the Commission and Member States

There are EU-level mechanisms that can help both the EC to enforce the CISAF, and MS and entrepreneurs to understand it and apply it.

4.3.1 — Tools for Enforcement

To ensure the efficacy of the CISAF, the EC depends on a unified set of enforcement tools under State aid law. In order to ensure speed and consistency, the framework introduces streamlined and expedited procedures similar to those used under the TCTF and during the Covid-19 response.[218] Member States must notify DG COMP of their planned aid schemes and obtain prior approval.[219] All approved measures are then included in the State Aid Transparency Public Search register.[220]

Ex-post checks, audits, and evaluations that confirm proportionality, necessity, and the lack of excessive market distortions serve to further protect compliance.[221] Competitors and other

[216] M. Draghi, see *supra* note 91, p. 317.
[217] B. Schuh *et al.*, 'Small and Medium-Sized Enterprises in European Regions and Cities', in ESPON, 2017, pp. 77-78. Retrieved at: https://archive.espon.eu/sites/default/files/attachments/SME_final-report_ScientificAnnex_10.pdf.
[218] See European Commission, *supra* note 195.
[219] Ibid.
[220] State Aid Transparency. Retrieved at: https://webgate.ec.europa.eu/competition/transparency/public?lang=en.
[221] European Court of Auditors, Report, 'Special report 21/2024: State aid in times of crisis – Swift reaction but shortcomings in the Commission's monitoring and inconsistencies in the framework to support the EU's industrial policy objectives', 2024. Retrieved at: https://www.eca.europa.eu/en/publications/SR-2024-21.

stakeholders have the option to initiate the complaints process if they believe a measure violates the terms of the CISAF. Finally, the framework also has claw-back measures that enable the EC to recoup excess or abused aid in order to prevent overcompensation.[222]

4.3.2 — Tools for Support

The first set of resources is composed of official guidelines: as demonstrated by the CEEAG and the TCTF, the DG COMP has a history of issuing FAQs, interpretative notes, and explanatory publications that provide clarification on technical aspects including eligible expenses, calculation methods, and requirements for internal market compatibility.[223] By providing standardized templates for State aid in priority areas such as hydrogen, renewables, or battery production, the EC can further encourage model schemes and best practices in addition to general guidance.[224] Governments may set up specific national contact points to serve as a bridge between companies and the EC, providing customized guidance on funding sources and compliance standards, just like it happened with Horizon Europe.[225]

Furthermore, consulting platforms like the European Investment Bank's services or the InvestEU Advisory Hub can help businesses create bankable ideas that meet CISAF's eligibility requirements.[226] The EC has a history of holding stakeholder dialogues, technical workshops, and training sessions during the implementation of large-scale EU programs; similar initiatives under CISAF could improve its understanding and uptake. Additionally, capacity-building measures are crucial to provide public administrations and private stakeholders with the skills necessary to navigate

[222] See European Commission, *supra* note 195.
[223] DG Comp. Retrieved at: https://commission.europa.eu/about/departments-and-executive-agencies/competition_en.
[224] See European Commission, *supra* note 195.
[225] See all relevant information at: https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp?order=ASC&pageNumber=0&pageSize=50&countries=20000832,20000839,20000841,20000911,20000871,20000872,20000875,20000880,20000885,20000890,20000873,20000902,20000913,20000915,20000922,20000946,20000944,20000945,20000960,20000973,20000986,20000990,20000994,20001005,20001004,20000883,20001001.
[226] Invest EU. Retrieved at: https://investeu.europa.eu/investeu-programme/investeu-advisory-hub_en.

the framework.[227] Such measures are also fundamental to spread awareness of the CISAF, so that all possible beneficiaries have all the details on the workings of the framework.

Lastly, the framework's connection with other EU financial tools enhances its impact. To try and maximize the effectiveness of available resources and prevent duplication, MS and entrepreneurs could coordinate CISAF-supported initiatives in a complementary way with initiatives like the Innovation Fund, Horizon Europe, and InvestEU. By doing this, CISAF transforms from a regulatory framework into a useful industrial policy tool that both firms and MS can easily use and implement.

[227] It was done for instance for Horizon Europe.

Chapter 5 — The CID, the CISAF, and the DNS/FDS Framework

It is now time to answer the second part of the research question posed at the beginning of this thesis: how do the CID and CISAF illustrate the transition from a regulatory to a developmental industrial policy when analyzed through the EC's multiple roles played in the frameworks defined by these two acts?

In the "return" of industrial policy in Europe, both the CID and the CISAF can be understood as instruments of the EU aimed at achieving its broader industrial policy goal, *i.e.*, the green transition. The CID embodies the first serious attempt at designing an industrial strategy, as it delineates the problems afflicting clean tech manufacturing and EIIs, while also advancing a series of initiatives to solve them.[228] The CISAF, on the other hand, serves to implement one of such initiatives, most specifically the revision of State aid regulation in order to facilitate financing for achieving the aims of the CID. In other words, the CISAF is the financial branch of the CID, as it is also specified in both documents.[229]

The different nature of these two policy documents becomes even more evident when looked through the DNS/FDS theoretical framework, as it exemplifies the roles played by the Commission in shaping EU industrial policy. In fact, applying the DNS, one can easily identify the different parts the EC plays in industrial policy, and see them distinctly in both the CID and CISAF.

4.1 — The Commission as a Strategist

As Di Carlo and Schmitz argue, the "Strategist" role consists in the EC's ability to set overarching priorities and frame common goals for industrial policy.[230] This extends Block's insight that the State can redefine market conditions by guiding long-term innovation trajectories.[231] The CID and the

[228] P. Jäger, 'Lost in Implementation? The Clean Industrial Deal demands urgent and bold delivery', in *Hertie School — Jacques Delors Center, Policy Brief*, 20th June 2025.
[229] See European Commission, *supra* note 125. See also European Commission, *supra* note 195.
[230] See D. Di Carlo & L. Schmitz, *supra* note 16.
[231] See F. Block, *supra* note 5.

CISAF jointly underscore the EC's role as the Strategist of EU industrial policy, ensuring that national initiatives align with Union-wide objectives.

The CID situates the clean transition within broader goals of economic resilience, strategic autonomy, and carbon neutrality by 2050, translating these into operational direction through a five-year planning horizon and by identifying priority sectors such as hydrogen, batteries, and critical raw materials.[232] Similarly, the CISAF frames State aid as a financial instrument to advance innovation, sustainability, and resilience, thereby linking short-term national incentives with the EU's long-term competitiveness and climate neutrality targets.[233]

By requiring that aid measures reinforce these shared priorities — for instance, by enabling cross-border hydrogen projects, expanding battery manufacturing capacity within the Union, or securing supply chains of rare earths — the EC is not only coordinating, but actively designing the trajectory of European reindustrialization. In this dual function, it ensures that national industrial strategies are nested within a coherent European vision, preventing fragmented action and consolidating the EU's position in global clean technology competition.

4.2 — The Commission as a Financier

As Block defined it, the "Financier" role implies the capacity of public authorities to mobilize resources and deploy State aid in ways that sustain innovation while presenting them within competitiveness-oriented narratives.[234]

Similarly, Ó Riain associates the DNS's financial role with enabling firms to access resources needed for growth and adaptation.[235] Di Carlo and Schmitz apply this to the EC, identifying the "Financier" as the actor that channels funds and State aid across MS.[236] The EC also assumes the role of Financier

[232] See European Commission, *supra* note 129.
[233] See European Commission, *supra* note 195.
[234] See F. Block, *supra* note 5.
[235] See S. Ó Riain, *supra* note 3.
[236] See D. Di Carlo & L. Schmitz, *supra* note 16.

by shaping the conditions under which public resources are mobilized and leveraged for the clean transition.

Under the CID, State aid is explicitly framed as a tool to "crowd in private capital" rather than replace it, with strict provisions ensuring that support remains proportionate, necessary, and temporary.[237] National measures approved under the CID are designed to complement EU-level instruments such as the Innovation Fund, Horizon Europe, and InvestEU, with the Commission requiring private co-financing so that public money secures long-term competitiveness in clean technologies rather than distorting markets.[238]

The CISAF extends this financial role indirectly: although it does not allocate EU budget resources, it defines the framework within which MS may subsidize industry, establishing maximum aid intensities, specifying eligible costs, and allowing mechanisms like accelerated depreciation or targeted investment aid.[239]

In practice, this translates into higher aid ceilings for hydrogen projects, accelerated depreciation schemes for green industrial equipment, and ad hoc aid to prevent the offshoring of strategic investments, such as wind turbine or battery manufacturing.[240] Similarly, CISAF enables investment aid for scaling up clean technology production lines — for example, expanding EU electrolyzer or solar cell capacity — but only within parameters set by the EC.[241]

This way, the EC acts as the architect of Europe's funding framework, guiding both EU and national financing toward Union priorities, steering subsidies to stimulate private investment, and preventing MS from pursuing divergent or protectionist funding strategies.

[237] See European Commission, *supra* note 129.
[238] Ibid.
[239] See European Commission, *supra* note 195.
[240] Ibid.
[241] Ibid.

4.3 — The Commission as a Broker

Ó Riain describes the "Broker" role as central to the FDS, which thrives by embedding local innovation systems into broader, transnational networks.[242] Di Carlo and Schmitz highlight the EC as a "Broker" when it fosters cross-national and cross-sectoral collaboration.[243] The EC's role as a "Broker" emerges clearly in both the CID and the CISAF. For example, through the CID, the EC indicated the need to promote transnational consortia in strategic sectors such as renewable energy, semiconductors, and hydrogen, ensuring that initiatives transcend national boundaries and generate synergies that individual MS could not achieve alone. In this respect, the reference is to both IPCEIs with a specific focus on clean aspect (for hydrogen and batteries) and Industrial alliances (for semiconductors).[244]

On the other side of the coin, the CISAF consolidates this brokering function by embedding cooperation into the State aid architecture, ensuring that public resources are channeled towards projects with European rather than merely national impact.[245] More specifically, by authorizing multi-country initiatives, as the IPCEI model, and designing models for large-scale aid, the EC not only facilitates burden-sharing and risk distribution but also actively prevents the fragmentation of supply chains.

In this way, across both frameworks, the EC positions itself as a central orchestrator, guiding MS towards joint solutions that strengthen Europe's industrial base and competitiveness.

4.4 — The Commission as a Facilitator

According to Di Carlo and Schmitz, the "Facilitator" role refers to the EC's ability to adjust the regulatory framework in ways that make industrial transitions smoother for firms.[246] In Block's terms,

[242] See S. Ó Riain, *supra* note 3.
[243] See D. Di Carlo & L. Schmitz, *supra* note 16.
[244] See European Commission, *supra* note 129.
[245] See European Commission, *supra* note 195.
[246] See D. Di Carlo & L. Schmitz, *supra* note 16.

facilitation is part of the hidden DNS: rather than openly directing industry, public authorities embed support in market-compatible rules.[247] The EC also acts as a "Facilitator" by adapting regulatory frameworks to make them more accessible and supportive for industry players and MS.

Under the CID, this facilitation takes shape through streamlined and expedited procedures that reduce administrative delays in the approval of State aid initiatives, thereby accelerating the launch of strategic projects.[248] For instance, renewable energy projects that integrate bioeconomy and circular economy principles benefit from harmonized sustainability standards, which both simplify compliance for companies and ensure fair competition across MS.

Likewise, in the CISAF, the EC mirrors the mechanisms of the TCTF by embedding simplified notification and approval processes that allow governments to act swiftly when supporting key sectors.[249] Beyond speed, CISAF enhances legal clarity by providing precise guidance on eligible technologies, cost-calculation methods, and sustainability benchmarks — thus reducing uncertainty for both public administrations and private investors.[250] In this way, across both instruments, the EC facilitates cooperative industrial policy by lowering bureaucratic hurdles, clarifying standards, and ensuring that sustainability principles are embedded in large-scale initiatives.

4.5 — The Commission as a Protector

The "Protector" role, as identified by Di Carlo and Schmitz, reflects the EC's task of defending the internal market from distortions and external pressures.[251] This resonates with Ó Riain's account of the DNS as a mediator that safeguards domestic systems while navigating globalization.[252]

In the context of the CISAF and CID, the EC also assumes a protective role, safeguarding Europe's clean industrial base and shielding the internal market from both external dependence and internal

[247] See F. Block, *supra* note 5.
[248] See European Commission, *supra* note 129.
[249] See European Commission, *supra* note 195.
[250] Ibid.
[251] See D. Di Carlo & L. Schmitz, *supra* note 16.
[252] See S. Ó Riain, *supra* note 3.

distortions. More specifically, within the CID this protection is expressed through the indication of policies aimed at reducing reliance on foreign suppliers of critical technologies, raw materials, and components, while actively promoting the creation of "adequate European manufacturing capacity."[253] For example, in the solar sector, the EC has encouraged the scaling up of EU panel production to counterbalance dependence on imports from Asia, pairing these efforts with other tools, such as FDI screening and restrictions on distortive foreign subsidies.[254]

Similarly, the CISAF reinforces this protective dimension by embedding resilience and market integrity safeguards into the State aid regime. It requires that State aid measures remain proportionate, non-discriminatory, and consistent with the internal market, thereby preventing subsidy races between MS that could fragment the Union.[255] At the same time, the EC retains the authority to reclaim aid in cases of overcompensation or breaches of conditions, ensuring discipline and fairness.[256]

Taken together, the CID and CISAF illustrate how the EC protects both the industrial foundations of the clean economy and the cohesion of the single market, combining defensive instruments with proactive capacity-building.

4.6 — The Commission as a Diplomat

The "Diplomat" role, as conceptualized by Di Carlo and Schmitz, refers to the EC's function in representing and advancing EU industrial interests on the global stage.[257] This is consistent with Ó Riain's FDS perspective, in which States mediate between local industries and global pressures.[258]

[253] See European Commission, *supra* note 129.
[254] Ibid.
[255] See European Commission, *supra* note 195.
[256] Ibid. See also European Union, Treaty on the Functioning of the European Union, Lisbon 13th December 2007, entered into force on 1st December 2009, Art.108.
[257] See D. Di Carlo & L. Schmitz, *supra* note 16.
[258] See S. Ó Riain, *supra* note 3.

The EC also acts as a Diplomat, positioning the EU's clean industrial policy within a broader global context marked by China's state-backed industrial expansion and the United States' IRA.[259] In this respect, the CID is explicit in warning against international subsidy races that could undermine European competitiveness, while at the same time promoting "international partnerships" to secure access to critical resources and establish fair conditions of competition.[260] This exemplifies how industrial policy and external action are intertwined and can be used to reinforce each other.

The CISAF reinforces this diplomatic posture by situating EU State aid rules within the global subsidy landscape: it grants the EU the ability to match foreign incentives under strict conditions, allowing Europe to remain competitive without abandoning its commitment to fair competition.[261] Showing the strict link between the EC's roles of Protector and Diplomat, this balancing act — assertive enough to defend European interests, yet constrained by multilateral principles — illustrates the EC's capacity to mediate between protection and openness.

By aligning industrial policy with trade diplomacy, the EC turns instruments like the CID and CISAF into tools of external engagement, ensuring that Europe's clean industry strategies not only protect the internal market but also strengthen the Union's position in international negotiations on supply chains, sustainability, and fair trade.

[259] See United States Congress, *supra* note 126.
[260] See European Commission, *supra* note 129.
[261] See European Commission, *supra* note 195.

Final Remarks

European industrial policy has historically swung between phases of State activism and of retrenchment of public sector activity to support industry. As a matter of fact, one can trace, as a pendulum, three clearly distinct phases in the evolution of industrial policy in the EU:

a) The first phase refers to the early decades after World War II that were marked by State policies, oriented towards sectoral approaches and the establishment of the first "National champions", along the lines of an organizational model that can be traced back to what Ó Riain described as "Developmental Bureaucratic State".[262] In the same period, the EU mainly focused on the support to basic industries, such as coal and steel, and only at the end of the 1960s it started to develop a public discourse progressively concentrated on industry. This discourse — deepened by Commissioners Guido Colonna di Paliano, Altiero Spinelli, and Étienne Davignon — took the form of dedicated communications and proposals, and arrived at the Davignon Plan, with which the EC assumed the role of coordinator of the MS' steel policies.

b) From the 1980s onward, the European approach, in line with the developments that were starting in other legal orders (as the US), progressively gave way to regulatory orientation, subordinating industrial policy to competition law and the completion of the Single market. In this epoch, the industrial policy domain was thus reduced. Still, in line with Block's intuition that State intervention can be "hidden" behind market-oriented narratives, an interventionist approach was maintained in some of the EU specific policy areas (such as cohesion).[263]

c) In the last decade, the conditions of globalization, technological rivalry, and the dynamics of "twin transition" (green and digital) have brought industrial policy back to the forefront. More

[262] See S. Ó Riain, *supra* note 3.
[263] See F. Block, *supra* note 5,

specifically, as analyzed in Chapter 2, this "return" has been determined by a combination of motives: the cultural rehabilitation of industrial policy in the academic and policy debate; political shifts triggered by events such as the "KUKA Moment"; geopolitical shocks including COVID-19, the war in Ukraine, and intensifying global rivalry with China and the US; and finally technological challenges related to Europe's lag in digital and green technologies. These factors converged to make industrial policy once again a legitimate and necessary field of EU action.

The purpose of this thesis has been to examine how and why this return of industrial policy has taken place through the analysis of the CID and the CISAF, and to investigate whether these instruments confirm the usefulness of the DNS framework for understanding the EC's roles. In order to attain this objective and to analyze the working of the European administration with respect to industrial policy, we have utilized Block and Ó Riain's DNS theory as specifically applied to EU industrial policy by Di Carlo and Schmitz. The central aim has been not only to apply this framework but also to assess how far the CID and CISAF confirm its explanatory power when used to interpret the EC's activity. More specifically, this thesis has applied this analytical theory to the CID and the CISAF, in order to make the different roles identified by the scholars in their conceptual framework visible in practice.

The analysis conducted in this thesis has shown that the EC has progressively redefined its approach to industrial policy, moving from a regulatory and market-oriented framework toward a developmental one. The transition to developmental industrial policy is visible through the CID and the CISAF, which together exemplify how the EC has regained an active role in shaping, financing, and coordinating industrial transformation in Europe.

Throughout the thesis, the CID and CISAF were treated as complementary test cases through which to observe the EC's evolving functions. This research has confirmed Di Carlo and Schmitz's intuition that the EC operates not as a monolithic regulator, but through multiple roles, along lines and dynamics comparable to those of a DNS. The CID demonstrated how the EC designs strategic

priorities, mobilizes Union-level financing, and builds transnational policy coherence — functions corresponding to its roles as "Strategist", "Diplomat" and "Broker".[264] The CISAF, instead, highlighted how the EC operationalizes these orientations through concrete instruments of coordination, financing, and State aid control, embodying its roles as "Financier", "Protector" and "Facilitator".[265] Taken together, the two acts reveal a governance model grounded in partnership and coordination across multiple levels, showing how developmental logic can be embedded within the EU's regulatory order.

Empirically, the CID's structure — built around six strategic pillars — shows that the EC's developmental intervention is neither centralized nor purely regulatory. As a matter of fact, the aim of the European administration with the CID is to coordinate multiple layers of policy: by financing through EU instruments such as the "Innovation Fund", "InvestEU", and the forthcoming "Industrial Decarbonization Bank"; by standard-setting through the "Industrial Decarbonization Accelerator Act"; and by fostering skills development via the "Union of Skills" strategy. These elements underline the EC's attention to ensuring integration to industrial, environmental, and social objectives within a coherent framework. Within this strategic context, the CISAF complements these efforts by translating strategic orientations into national implementation mechanisms. Through simplified and flexible State aid rules, it enables MS to align domestic interventions with shared European goals, reinforcing the EC's coordinating role within a common developmental space.

This coordinating function that the EC performs is fundamental, because, as the IMF warned in December 2024, while State aid has surged across the EU — particularly for green technologies — its effectiveness depends heavily on coordination, lest MS' unilateral subsidies undermine competitiveness elsewhere in the bloc.[266] The point is underscored in recent EC rhetoric: in late 2024,

[264] See D. Di Carlo & L. Schmitz, *supra* note 16. See also F. Block, *supra* note 5. See S. Ó Riain, *supra* note 3.
[265] Ibid.
[266] H. Foy, 'IMF warns EU against state aid glut and 'unilateral industrial policies'', in *Financial Times*, 16th December 2024. Retrieved at: https://www.ft.com/content/9f892f0e-7615-4ace-8aee-2b255ecd71af.

the new European Industry Commissioner called for a "Europe First" strategy to shield strategic sectors from subsidized imports and reinforce the bloc's capacity for economic self-determination.[267]

This approach combines EU-level strategy with national flexibility, confirming that the EC acts as a networked enabler rather than a traditional State planner. In doing so, it validates the idea that developmental functions in the EU emerge through policy integration and shared governance, rather than through centralized authority.

The findings also reveal the EC's attention to balance internal cohesion with external competitiveness. Through instruments such as "Clean Trade and Investment Partnerships", FTAs, and the "Anti-Coercion Mechanism", the EC simultaneously operates as "Diplomat" and "Protector", defending European industrial interests while fostering cooperation with third countries. The dual engagement of CID and CISAF embodies this hybrid developmental logic (between DNS and FDS): in EU developmentalism industrial transformation, strategic autonomy, and global openness must coexist.

It can be said that the recent evolution of IPCEIs further underscores this hybridity. As a matter of fact, by pooling national resources into coordinated European-wide projects, these instruments institutionalize the EC's multiple roles as "Financier", "Broker", and "Facilitator", while anchoring local industrial capacities within broader European and global networks. In this respect it can be said that IPCEIs therefore epitomize the DNS/FDS logic at the level of concrete instruments.

Taken together, these elements confirm that the CID and CISAF contribute to consolidating a European model of developmental policy — one that is adaptive, cooperative, and embedded in networked governance. They also demonstrate that the EC's multiple roles are not theoretical abstractions but observable patterns of action within real policy frameworks.

[267] H. Foy & A. Hancock, 'EU commissioner pitches 'Europe first' in response to Donald Trump', in *Financial Times*, 2nd December 2024. Retrieved at: https://www.ft.com/content/f11247e5-9594-4134-9b79-e008aa4429c6.

To summarize the results more schematically, the following table (Table 6.1) maps each EC role onto its theoretical definition and the way it has been confirmed by the CID and CISAF.

Ultimately, this thesis has addressed the research question by demonstrating how the CID and the CISAF fit into the transition of European industrial policy from a predominantly regulatory and market-liberal orientation towards a more interventionist and developmental configuration. The analysis has shown that, within these two frameworks, the EC has performed multiple and evolving roles — “Strategist”, “Financier”, “Broker”, “Facilitator”, “Protector”, and “Diplomat” — through which industrial policy has been progressively operationalized in accordance with the developmental features outlined in the DNS framework. In this respect, the CID and the CISAF reveal how the EC’s policy practice reflects and contributes to the broader reconfiguration of European industrial policy associated with its contemporary “return” to a more purposive and state-like economic function.

Both documents taken together confirm an EC that in its concrete functioning increasingly resembles a DNS — visible in its financing, brokering, facilitating, protecting, strategic, and diplomatic functions. This transformation, however, remains in progress and will require continued observation as new instruments will come into effect. Further research could thus investigate whether the developmental coordination observed here consolidates into a lasting paradigm or remains contingent upon current geopolitical and technological pressures.

Table 6.1 Scheme DNS Roles and EC Functions as Represented by CID and CISAF

Role	Definition	Confirmation
Strategist	Sets industrial priorities and frames common goals.	CID aligns national action with EU-wide goals of decarbonization, resilience, competitiveness.
Financier	Mobilizes resources and deploys State aid under competitiveness narratives.	CISAF operationalizes subsidies and streamlines financial mechanisms for clean industry.
Facilitator	Shapes regulatory frameworks to ease industrial transitions.	CISAF clarifies eligibility, lowers barriers, and accelerates approval procedures.
Broker	Links local innovation systems into broader networks.	CID coordinates Member States, fosters cross-border projects, and encourages IPCEIs.
Protector	Shields internal markets and maintains strategic autonomy.	CID and CISAF prevent subsidy races inside EU and strengthen resilience vis-à-vis global competitors.
Diplomat	Represents industrial interests globally; mediates between local capacities and global pressures.	CID and CISAF position the EU in subsidy competition with US and China.

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