

Doing Industrial Policy in a Geo-Tech World

Salih Işık Bora ¹ , Fabio Bulfone ² , and Timo Seidl ³ 

¹ Centre for Security, Diplomacy, and Strategy, Vrije Universiteit Brussel, Belgium

² Institute of Public Administration, Leiden University, The Netherlands

³ Munich School of Politics and Public Policy, Technical University of Munich, Germany

Correspondence: Timo Seidl (timo.seidl@hfp.tum.de)

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Abstract

In recent years, industrial policy has made a comeback across the globe, with governments increasingly willing to redirect economic activity towards strategically important technologies. While a growing literature has documented the drivers of this shift—ranging from geopolitical competition and climate imperatives to the resurgence of neo-mercantilist ideas—far greater strides have been made in understanding the *why* of industrial policy than the *how*. Yet, the *how* is crucial for both the effectiveness and legitimacy of state intervention. Whether industrial policy can achieve its goals effectively and equitably depends on questions of state capacity, instrument design, institutional coordination, and political support—in short, on how industrial policy is actually done on the ground. After decades of neoliberal policymaking that eroded the capacities, routines, and mindsets needed for effective state intervention, this is easier said than done. This thematic issue brings together 14 contributions that examine the practice of industrial policy across geographies, sectors, and policy instruments. Two themes cut across the contributions. First, industrial policy stands and falls with state capacity—understood as both administrative resources and the political ability to build coalitions, coordinate across sectors, and discipline firms. Second, the practice of industrial policy is fundamentally uneven, but combined: novel interventionist ambitions coexist with deeply sedimented neoliberal legacies, and industrial policy takes different forms across national and supranational scales.

Keywords

climate transition; embedded autonomy; European Union; geoeconomics; industrial policy; neoliberalism; state capacity

1. Introduction

Geopolitics is back, and it has brought industrial policy in tow. From Beijing to Brussels, from Tokyo to Washington, policymakers, even those willing to hit the snooze button, have awakened to a new geopolitical reality marked by great power competition, weaponized interdependence, and even open military conflict (Farrell & Newman, 2019; Schindler et al., 2024). At least in the West, this “new global disorder” (Lavery & Schmid, 2021) has upended decades of seeming certainties about the efficiency and primacy of markets, the benefits of openness, and the futility of government activism. At the same time, technological change—from artificial intelligence to clean energy—has moved to the center of geopolitical competition, giving rise to state platform-capitalism (Rolf & Schindler, 2026), an increasingly dense “security-innovation nexus” (Haddad et al., 2024), and an escalating clash of digital empires (Bradford, 2023).

No country has been more central to those developments than China. Its rapid ascent to the technological frontier has sent geopolitical, geoeconomic, and ideological shockwaves around the globe. The “great reckoning” (Kuo, 2025) provoked by China has produced a strange mix of admiration and anxiety, copying and coping. China’s complex—yet effective—combination of industrial policies, indicative planning, managed competition, and macrofinancial engineering (Chan, 2022; Li & Ban, 2025; Thurbon et al., 2023; Wang, 2024) has cast doubt on old market-liberal dogmas, providing ideological ammunition to advocates of a “new market activism” (McNamara, 2024, p. 2372). China, therefore, serves both as a central motivation and reference point for the “return of industrial policy” across the world (Evenett et al., 2024, 2025; Juhász et al., 2025).

In the US, the emergence of a systemic rival has been the key driver of an increasingly aggressive use of trade and industrial policies by successive administrations (Van Apeldoorn et al., 2023), building on a long-standing tradition of geopolitically motivated state activism (L. Weiss & Thurbon, 2021). In Japan, too, China has long loomed large. It is mentioned 43 times across the 28 pages of Japan’s 2020 economic security strategy, which echoes elements of the Made in China 2025 strategy in recognizing that “the domains fundamental to a nation’s survival have extended beyond resources to certain manufacturing capabilities and technologies” (Policy Research Council, Liberal Democratic Party of Japan, 2020). Europeans, too, are coming to realize, as former EU High Representative for Foreign Affairs and Security Policy Josep Borrell put it, that “the sources of our prosperity [have decoupled] from the sources of our security” (Borrell, 2022). Economic competition from, and dependence on, China has fueled an increasingly anxious economic security discourse, accompanied by rhetorical and policy shifts towards greater sovereignty, autonomy, and security in several areas of EU policymaking (Couvreur & Veselinovič, 2026; Falkner et al., 2024; Farrand, 2026; Herranz-Surrallés et al., 2024; Kruck & Weiss, 2023; McNamara, 2024; Meunier & Nicolaidis, 2019; Simón & Fiott, 2025).

Together with the rise of China, the imperatives of rapid and deep decarbonization, the distributive and regulatory challenges generated by rapid technological change, and mounting political discontent increasingly expressed through authoritarian challenges to liberal-democratic norms and technocratic expertise, have opened deep fissures in the “neoliberal political order” (Gerstle, 2022). These pressures have widened the political space for the revival of a new economic *realpolitik* that revolves around new technologies or, more specifically, the protection, promotion, and projection of sovereign technology stacks and supply chains. As former EU Commissioner Julian King put it, we now live in a “geo-tech world”: a world

in which technology has become a key weapon and battleground of geopolitical and geoeconomic competition, indispensable to economic prosperity and national security alike (King, 2019; cf. Seidl, 2024).

None of this is entirely new, of course. Neo-mercantilist doctrines advocating “government economic activism to promote state wealth and power” (Helleiner, 2021, p. 4) developed almost simultaneously with Smithian theories of free trade (Gilpin, 1987; Rodrik, 2025). From Friedrich List to Alexander Hamilton to Sun-Yat Sen, various thinkers in late-developing societies have explored the power political implications of trade and technology (Helleiner, 2021). Such ideas also found expression in wealthy democracies. In the late 1960s, Jean-Jacques Servan-Schreiber, in his widely read *Le défi américain*, viewed the “capacity for innovation” as the basis for “modern power” and warned that the coming “war” would be “an industrial one,” and its “major battle” “in the field of computing” (Servan-Schreiber, 1968, pp. 239–240, 132). Writing two decades later and against the background of Japan’s rise, Brandin and Harrison (1987, p. v) similarly raise the specter of a coming “technology war” with information technology at its center: technology, they believe, will be the “new arena of competition” since it not only “affects standards of living and wealth” but is also “the source of the superweapons of the future.” Today, the ability to design, produce, and diffuse technologies remains at the center of geoeconomic and geopolitical competition, regardless of whether we assume that states primarily “compete for power as a means to wealth” or “compete more for wealth as a means to power” (Stopford & Strange, 1991, p. 1; see also, Ding, 2024).

In recent years, a sprawling literature has documented the scale and scope of these transformations and examined their (geo-)political drivers through a range of theoretical lenses, often converging on the conclusion that the new global disorder is here to stay. Scholars of international security contend that the success of China’s economic model has generated a security dilemma: heightened concerns about economic coercion erode confidence in openness and market-liberal policies, prompting states to adjust their external economic relationships (Pearson et al., 2022). Critical political economists, instead, describe a “spiral of state capitalism” in which competitive emulation, peer-group learning, and mutual reinforcement propel state intervention to expand across both countries and policy domains (Alami & Dixon, 2024, p. 19). Still others theorize the emergence of a “Second Cold War” marked by “network-based competition” over four interrelated transnational networks: infrastructure, digital, production, and finance (Schindler et al., 2024, p. 1085).

But while this literature has made significant strides in understanding the *why* of industrial policy, far less is known about the *how*. Yet, the *how* is crucial for both the effectiveness and legitimacy of state intervention. Whether industrial policy can achieve its goals effectively and equitably depends on questions of state capacity, instrument design, planning ability, institutional coordination, and political support—in short, on how industrial policy is actually done on the ground. When designed and executed well, industrial policy can seed and scale innovation, advancing the twin goals of abundance (Klein & Thompson, 2025) and autonomy: producing more of what we need while reducing techno-economic dependencies. When done poorly, industrial policy turns into unproductive “corporate welfare” (Bulfone et al., 2023), heightening frustration with the state, misdirecting innovation, and reinforcing rather than mitigating economic decline and dependency.

Against this backdrop, this thematic issue aims to deepen the understanding of how industrial policy is actually “done on the ground.” This question is especially pressing because industrial policy during its

post-WW2 heyday (1945–1973) was favored by unique historical conditions. In Europe, many governments combined economic planning, credit management, and ownership of large firms to rebuild and modernize their economies (Shonfield, 1965). Developmental states in Japan, Korea, and Taiwan imposed top-down state-society relations, propelling their societies to double-digit rates of growth (Amsden, 1989; Doner et al., 2005; Johnson, 1982). Even in the US, where public sentiment historically resisted centralization, the state’s role in funding breakthrough innovation through defense agencies enabled a “hidden” form of industrial policy (Block, 2008; L. M. Weiss, 2014). Indeed, industrial policy was intimately linked to the unique circumstances of post-WW2 societies, where state intervention was largely uncontroversial (Bulfone, 2022).

Today, by contrast, decades of neoliberal hegemony have eroded the capacities, routines, and mindsets necessary for effective industrial policy. What is more, state actors can no longer claim the role of “senior partner” in their relationships with large firms. Civil service careers, once a top choice for elite university graduates, as they remain in China, have become less attractive compared with the high salaries offered by the private sector. Public bureaucracies have been further weakened by decades of new public management reforms and the outsourcing of policy expertise to private consultancies (Mazzucato & Collington, 2023). Against this backdrop, this thematic issue asks how industrial policy is actually practiced after decades in which selective market intervention was discouraged and many states have become “out of practice” with the more capacity-intensive forms of industrial policy (Juhász & Lane, 2024, p. 45).

2. Overview of Contributions

Our contributors approach the “how” of industrial policy from a variety of empirical and analytical perspectives, focusing on different geographies, policy areas, and sectors. Yet, there are several themes and perspectives that cut across contributions, pointing to broader challenges to, and insights for, how industrial policy is done—and how it should be done. We highlight two in particular: the centrality of state capacity and the “uneven and combined” character of industrial policy.

2.1. *It’s State Capacity, Stupid!*

Our contributions show, in important ways, that industrial policy stands and falls with the capacity of those tasked with doing it (Klingler-Vidra et al., 2025). State capacity is a matter of both administrative and political capacity: of having the personnel, resources, and routines to monitor, plan, surveil, and assess while also being able to build coalitions and discipline or acquiesce resistant actors (Chibber, 2006, p. 7; Meckling & Nahm, 2022; Rueschemeyer & Evans, 1985). This, in turn, rests on a delicate balance between embeddedness and autonomy: tapping into the knowledge, dynamism, and resources of the private sector while avoiding being captured by it (Evans, 1995; L. Weiss, 1995). By exploring these tensions in a variety of settings, our contributions both substantiate and refine these long-standing arguments.

Seidl and Wuttke (2026) conceptualize a particular sub-type of state capacity they call state capacity for strategic identification (SCSI). They argue that the literature on the return of market-directing industrial policy has paid insufficient attention to a key moment in the industrial policy-making cycle: the identification of the strategic sectors or technologies towards which industrial policy efforts should be directed. Doing that successfully, Seidl and Wuttke argue, requires striking a balance between embeddedness and autonomy. Using the case of the EU’s Important Projects of Common European Interest (IPCEIs), they show how SCSI is

slowly emerging as new networks are formed, lessons learned, and institutions built. Arroyo (2026) further elaborates on the concept of SCSI by examining how the EU identified net-zero technologies in the context of the Net-Zero Industry Act. Arroyo argues that while the Commission's in-house analytical capacities matter, their relative importance decreases as politicization increases. The more organized interests and political actors care about an industrial policy dossier, the less purely analytical considerations shape the prioritization of technologies.

Bulfone et al. (2026) arrive at a complementary conclusion. Examining the EU's green industrial policy across three regulatory channels—market structure, production processes, and financial flows—they show that the Commission's regulatory capacity, itself a subfield of state capacity, depends on the cohesiveness of affected business interests and the degree of public salience. Where salience is high and business is fragmented, regulatory capacity is stronger; where business is cohesive and public attention is low, it is weak. Cantafio Apitz et al. (2026) explore a similar tension in the United States, examining within-case variation in state capacity by comparing the Department of Defense (DOD) and the Department of Energy (DOE). The DOD, they show, has been remarkably effective at fostering breakthrough innovation, in part because security classification insulates its funding decisions from political interference. By contrast, the DOE, lacking such insulation, has repeatedly seen its programs scaled back under political pressure. This contrast suggests that the effectiveness of industrial policy depends critically on institutional mechanisms that shield decision-making from short-term politicization.

While industrial policy is often viewed as requiring both administrative and fiscal capacity, Endrejat (2026) shows how industrial policy goals can be pursued even in the absence of the latter. Focusing on the case of energy performance contracts for building renovation, Endrejat shows how “techno-political coalitions”—which combine technical expertise and political influence—creatively use off-balance-sheet financing to circumvent fiscal constraints, reminding us that industrial policy does not always take place in plain sight but can operate through the arcane and highly technical management of liabilities. De La Cruz (2026), in a systematic analysis of the conditions under which member states disburse state aid through the IPCEI instrument, similarly finds that fiscal stress need not prevent member states from pursuing industrial policy through IPCEIs—indeed, when combined with a government orientation toward economic growth, it can even incentivize participation. Moreover, experience with state aid spending, a facet of bureaucratic state capacity, explains IPCEI participation, though primarily among larger member states.

Another dimension of state capacity is highlighted by Ergen (2026) in his cradle-to-grave case study of the rise and fall of the German solar industry. Ergen documents how the lack of sectoral governance capabilities and therefore sectoral coordination undermined the initial success of Germany's solar industrial policy. This is echoed by Ban and Scepanovic (2026), who show how China's advantage in the electric vehicle (EV) sector stems from a coordinated developmentalist approach spanning demand engineering, macro-financial channels, managed competition, supply chain governance, and infrastructure deployment. Europe, by contrast, has lacked both the institutional coherence and the willingness to discipline industry needed to replicate this approach.

2.2. Industrial Policy: Uneven and Combined

As with most socio-economic processes under capitalism, the practice of industrial policy is “uneven and combined.” Contradictory logics complement, reinforce, and perpetuate one another across both temporal and spatial dimensions. First, industrial policy is uneven and combined across time. In this regard, several contributions to this issue show how the return of industrial policy does not erase the complex legacies of neoliberalism but reproduces them in altered forms. New policies are developed and deployed in a context of ideological skepticism, atrophied or non-existent steering capacities, political contestation or inertia, and deeply sedimented market-liberal policy frameworks. Focusing on InvestEU, the EU’s flagship investment program, Wigger and Lavery (2026) demonstrate how EU industrial policy is characterized by the simultaneity of the non-simultaneous. They show how the development, architecture, and implementation of InvestEU betray its neoliberal origins—a legacy that keeps the program tethered to the logic of derisking private investment rather than directing it. To trace this tension, Wigger and Lavery therefore argue for a “disaggregated approach” that moves beyond “macro” debates about continuity and change towards empirically investigating the “complex assemblage” of EU industrial policy’s varying logics across instruments and sub-areas. An extreme example of the tension between novel demands and the persistence of institutional legacies is provided by Bora (2026) in his case study on EU defense industrial policy. While isomorphic pressures from the international system led the EU to imitate state-like features and policies, the EU’s regulatory path of political development results in institutionally constrained and often insufficient defense industrial policies.

Second, the contributions highlight that industrial policy is uneven and combined across space. While De La Cruz (2026) investigates the significant differences in the use of the IPCEI instrument across member states, Iliev and Rone (2026) focus on Eastern Europe, showing how Hungary and Czechia, rather than being mere “laggard” policy adopters, increasingly “play their own game.” They argue that differences in electoral uncertainty produce different state-business relations, which translate into divergent strategies of navigating Europe’s new “interventionist *Zeitgeist*”—which do not always align with the EU’s priorities. The contradiction, but also entanglement, between EU industrial policies and national ones is also at the heart of Polyák’s (2026) analysis. Polyák introduces the concept of coercive industrial zones (CIZs)—territories in Hungary and Serbia where democratic, environmental, and labor safeguards are systematically suspended to fast-track green industrial projects. Far from being isolated governance failures, CIZs emerge from the convergence of three forces: the EU’s urgency to deliver on its clean-tech agenda, firms’ drive to minimize regulatory friction, and the autocratic regimes’ goal to trade domestic repression for geopolitical relevance and supply-chain leverage.

Venturing beyond the EU, de Gaspi and Perfeito da Silva (2026) examine how the global EV transition plays out in Brazil and Mexico. They show that national growth models structure the material position of key actors, who coalesce into “sectoral developmental alliances” around specific technological pathways. Brazil’s commodity-driven economy gives rise to an alliance between automakers and biofuel producers that favors ethanol hybrids, while Mexico’s export-led integration into North American value chains pushes it toward battery electric vehicles. Notably, where the chosen pathway goes against the global push toward battery electric vehicles, as in Brazil, more legitimizing narrative work is required, suggesting that the unevenness of industrial policy is not only material but also discursive. Veselinovič and de Graaff (2026) extend this growth model perspective to the EU itself, conceptualizing geoeconomic exposure, the idea that member states face

fundamentally different vulnerabilities depending on their export orientation toward—and import dependence on—geopolitically contested markets. Crucially, their analysis shows that these differentiated exposures generate divergent industrial policy preferences among member states, complicating efforts to forge a coherent EU-wide strategy.

3. Conclusion

Together, the articles assembled in this thematic issue advance academic and policy debates on the “how” of industrial policy in several directions. They shed light on questions of administrative and political state capacity, and on the variegated nature of industrial policy within and between states, as well as across policy (sub-)areas and over time (Chibber, 2006; Collington, 2025; Evans, 1995; Juhász & Lane, 2024; Meckling & Nahm, 2022; Thurbon et al., 2023). They also contribute to debates on economic planning (Ban & Hasselbalch, 2025; Sorg & Groos, 2025), policy instrument design and conditionalities (Bulfone et al., 2025; Schmitz et al., 2025), and the intersection of domestic politics and global geopolitics (Bora & Schramm, 2025; Freudlsperger & Schramm, 2025; Lavery, 2024; McNamara, 2024; Seidl & Schmitz, 2024; L. Weiss & Thurbon, 2021). Future research should build on these findings to more systematically explore, among other things, (a) the effects of institutional design on industrial policy success, including on firm behavior; (b) the conditions under which state capacity can be (re)acquired; (c) the co-development and interpenetration of neoliberal and industrial policy logics, and, last but not least, (d) the distributional consequences and democratic implications of different ways of doing industrial policy.

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Conflict of Interests

The authors declare no conflict of interests.

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About the Authors

Salih Işık Bora is a postdoctoral researcher at the Centre for Security, Diplomacy, and Strategy (CSDS) at Vrije Universiteit Brussel, Belgium. His research interests are at the intersection of security studies and international political economy, with a focus on the European Union's pursuit of strategic autonomy.

Fabio Bulfone is an assistant professor at the Institute of Public Administration, Leiden University, the Netherlands. His research lies at the intersection of international and comparative political economy, focusing on industrial policy strategies for the green transition and strategic autonomy.

Timo Seidl is an assistant professor of political economy at the Munich School of Politics and Public Policy at the Technical University of Munich. His research focuses on the intersection of politics and the economy, with a particular focus on the causes and consequences of technological change.