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The EU's new industrial strategy and global disorder

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Abstract

The fear that Europe might 'fall behind' rival economic powers has long shaped European integration. In the present phase of global disorder, this fear has intensified. Policymakers warn that the EU, pincered between an interventionist US and China, risks losing ground in the race for technological leadership. A new EU industrial strategy – marked by relaxed competition rules and targeted subsidies – has taken shape in this context. This paper focuses on how four historical factors – the aftermath of the 2008 financial crisis, the rise of China, the Covid-19 pandemic, and successive protectionist US interventions – combined to generate a break with past economic policy practice in Europe. However, as the case of semiconductors shows, attempts by EU policymakers to shore up European 'strategic autonomy' also generate new internal dilemmas, deepening existing tensions within Europe's political economy.

Introduction

In his landmark 2024 report, The Future of European Competitiveness, Mario Draghi, former president of the European Central Bank, sounded the alarm. Due to its 'static industrial structure', Draghi warned, the European economy faces a formidable 'existential challenge' (Draghi 2024: 5-6). Since 2000, real disposable income has grown by almost twice as much in the US as compared to Europe. While US firms dominate the high end of the technological frontier, 'only four of the world's top 50 tech companies are European' (ibid). At the same time, 'China's state-sponsored competition … represents a threat to our productive clean tech and automotive industries' (Draghi 2024: 7). In 2002, China competed directly with euro-area exporters in 25 per cent of sectors, yet today that figure has reached 40 per cent. Draghi warned that, caught between the US and China, 'the EU's competitiveness is currently being squeezed from two sides' (Draghi 2024: 5).

The themes highlighted by the Draghi report – of a Europe caught between two economic great powers and in need of fundamental reform – are not new. Throughout the post-war era, the 'fear of falling behind' was a key motivating factor driving further European integration (Seidl & Schmitz 2024). In the 1960s, rising levels of US Foreign Direct Investment (FDI) sparked fears of a US takeover of European industry, resulting in a range of economic reforms designed to shore up European leadership in key industrial sectors (Warlouzet 2017). In the 1980s, increasing competition from Japanese manufacturers and an appreciating US dollar motivated moves towards the formation of the single market, designed to create a new platform through which European firms could compete on the world stage (Sandholtz & Zysman 1989). During the high tide of globalisation in the 1990s and 2000s, European elites, including political leaders at the member-state and Commission levels, warned that the EU would only catch up with other powers at the leading edge of the 'knowledge economy' – most notably the United States – if it embarked on a programme of far-reaching labour market reform outlined in the Lisbon agenda (Solbes 2003).

The context within which the EU finds itself today differs in important respects from these past episodes. These previous initiatives took shape in the context of a deeper, structural framework of global order underpinned by the geopolitical and economic power of the US (Panitch & Gindin, 2013). European leaders engaged constructively in US attempts to contain the Soviet Union and opened their economies to US exports and investments. EU elites wagered that this 'alignment' to the geopolitical and economic power of Washington would

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serve to carve out a sphere of relative European autonomy on the world stage (Lavery & Schmid 2021). In the present context, this framework has been thrown into disarray (Thompson 2022). The ongoing rise of China and other middle powers, coupled with the withdrawal of the US from its traditional leadership role, have eroded the foundations of the global order within which earlier phases of European integration took shape.

What do the uncertainties generated by this new global disorder mean for the future of the European economy? The stock answer from European Commission officials and other elites is that the EU needs to enhance its 'strategic autonomy' on the world stage. Originating in the defence sector in the 2010s, this concept has spilled over to encompass a wide range of domains, including trade policy, energy, external relations, law, and industrial strategy (Lavery, McDaniel & Schmid 2022). As the European Commission's New Industrial Strategy for Europe (2020) puts it:

> Europe's strategic autonomy is about reducing dependence on others for things we need the most: critical materials and technologies, food, infrastructure, security and other strategic areas ... [which] provide Europe's industry with an opportunity to develop its own markets, products and services which boost competitiveness (European Commission 2020: 13).

This 'strategic autonomy' agenda crystallises most strongly in the sphere of industrial strategy. In the European Industrial Renaissance (2014), the European Commission declared that it would aim to effectively end the deindustrialisation of the EU, seeking to increase the share of the manufacturing sector as a proportion of EU GDP to 20 per cent by 2020 (European Commission 2014). This ambition has been followed by a series of concrete policy initiatives aimed at supporting key strategic sectors – in particular, hydrogen, electric vehicles, semiconductors, cloud computing, and batteries. A wide range of tools has been deployed in pursuit of this objective, including the targeted expansion of subsidies, the relaxation of key elements of EU competition law, and the creation of new funds designed to 'crowd in' private investment into key strategic sectors (Wigger 2023). While these 'new industrial strategy' instruments are complex and multifaceted, at their core lies an underlying logic that marks a break from recent economic policymaking orthodoxy (McNamara 2024). Reshoring manufacturing capacity, minimising strategic dependencies on third countries, bolstering state support for key strategic sectors, securing operational autonomy from Washington – a little over a decade ago these ambitions would have been dismissed as relics of a bygone era. Now, they are mainstream.

What have been the main drivers of these changes? To answer this question, we need to contextualise the relationship between European integration and global order historically. The first section of this discussion paper shows that the 'fear of falling behind' rival economic blocs has been a consistent driver of European integration throughout the post-war era. However, the contemporary emergence of a new EU industrial policy is taking shape under a novel set of international conditions. The second section of this paper outlines how a number of shifts over the past decade – the legacies of the 2008 crash and the eurozone crisis, the ongoing rise of China, the Covid-19 pandemic, and the interventionism of successive US administrations – have combined to generate momentum towards a new EU industrial policy. In this novel context of global disorder, EU elites are being driven to embrace a plethora of instruments that ostensibly break from the market-oriented strategies that dominated since the end of the Cold War. However, whether this new industrial strategy will address the EU's 'fear of falling behind' rival economic blocs remains unclear. The third section of the paper engages with one sector where the new EU industrial policy has taken shape concretely – the semiconductor sector –

and argues that the new EU interventionism in this sphere generates a series of novel dilemmas from an EU policymaking perspective.

Fear of falling behind: European industry and changing patterns of global order

The fear that European industry might 'fall behind' rival power blocs was a recurrent theme of European integration throughout the post-war era (Seidl & Schmitz 2024). These fears were famously expressed in the 1960s, at the height of the Fordist 'boom', as outlined in Jean-Jacques Servan-Schreiber's The American Challenge (1967). Servan-Schreiber – editor of Le Monde, associate of Jean Monnet and Konrad Adenauer, and minister within the first Chirac government – noted that US monopolies, with greater access to capital, superior management techniques, and access to a large home market, systematically outperformed their European counterparts (Servan-Schreiber 1967). The problem was that these US giants now threatened to take over strategically significant elements of the European industrial base, transferring control of the commanding heights of the European economy across the Atlantic. While, in 1950, one seventh of total US investments abroad went to Europe, by 1970 this had grown to over a third (Lundestad 1998: 113). US dollars flooded into technologically sophisticated and high-productivity sectors, including electrical goods, automotives, petrochemicals, and computing (Poulantzas 1974: 152). While increased FDI from US firms appeared to bolster efforts at Western European reconstruction, critics such as Servan-Schreiber warned that this process was effectively handing control of European industry to American boardrooms. Three giant American firms together accounted for 40 per cent of direct investment in Germany, France, and Britain (Servan-Schreiber 1967: 51). For Servan-Schreiber, what was needed was a sustained pan-European effort to 'catch up' with the US, coordinated at the supranational level. In a US-led global order, enhanced European integration would be critical to carving out a degree of relative European autonomy on the world stage (Lavery & Schmid 2021).

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The fear of falling behind emerged again in the 1970s and 1980s, as the US-led global order underwent new transformations (Coates 2018). The oil crises of the 1970s and the US abandonment of the Bretton Woods system threatened to undermine the delicate social contract upon which post-war European reconstruction had been established. In a system of floating exchange rates, new patterns of turbulence gripped European monetary and financial markets, as European leaders sought to shore up their ailing economies with reflationary fiscal policies and successive devaluations (Warlouzet 2017). The result was the generation of new barriers to trade within and outside Europe and the proliferation of 'new protectionist' instruments by key European states. At the same time, the rise of Japan as a manufacturing powerhouse threatened to displace European firms as leaders in key technologies, particularly in the sphere of microelectronics (Sandholtz & Zysman 1989). In response, European elites advanced a new programme to unify Europe into a single market, committing all member states to the removal of tariff and non-tariff barriers. The single market programme, culminating in the 1992 Maastricht Treaty, increased cross-border trade and financial integration within the EU and exposed EU producers to intensified patterns of international competition (Jabko 2017). EU elites hoped that this new, enhanced framework of European integration would force European firms to become more competitive, providing a launchpad upon which future European champions could compete on the world stage.

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By the 1990s and 2000s, the launch and development of the single market took shape in a global order in a period of transition. The collapse of the Soviet Union had given rise to a new system, with the US as the undisputed unipolar power at its heart. It was in this context that a high tide of 'globalisation theory' took shape (Rosenberg 2002). For globalisation theorists, the rise of an increasingly interconnected world economy – characterised by integrated supply chains and footloose, mobile capital – fundamentally challenged the sovereignty of national governments. As the world economy globalised, the governance of that economy would increasingly be transferred to the transnational scale. In this sense, the postnational character of the EU seemed to anticipate the future of global capitalism (Habermas 2012). For EU elites, the challenge was to ensure that EU economic governance equipped member states to compete within this globalised economic context. The strict debt and deficit rules of the Maastricht criteria would guard the fiscal credibility of the eurozone; supply-side investments in R&D and labour market reforms (as promised by the Lisbon agenda) would underpin Europe's 'knowledge economy'; and continued removal of non-tariff barriers within Europe and a steady liberalisation of trade internationally would further underpin the competitiveness of EU firms. By the mid-2000s, the prevailing wisdom of EU elites was that the EU was well equipped to deal with the challenges of a globalising world. In the following years, however, this sanguine assessment would come under immense pressure.

The EU's new industrial strategy in an age of global disorder

Over the past 15 years, the EU's 'fear of falling behind' rival economic blocs has re-emerged, but in a new form and under new international conditions. A number of external structural shifts within the world economy – the legacies of 2008, the ongoing rise of China, the impact of the Covid-19 pandemic, and the interventionism of successive US administrations – have fundamentally reconfigured the context within which European integration takes place (Lavery 2024). As Barry Buzan and George Lawson argue, global order since the 19th century had been fundamentally 'centred' around a core nexus of Western states – particularly the US and Western Europe (Buzan & Lawson 2015). However, over recent years, this framework has been increasingly 'decentred' by the rapid ascent of non-Western states such as China and Japan, as well as the increasing withdrawal of the US from its traditional role of international leadership (Hopewell 2025). These dual processes underpin the contemporary period of global disorder, and the emergence of the EU's new industrial strategy has taken place against this wider backdrop. To account for the interactions between these 'external' shifts and 'internal' reconfigurations, it is necessary to identify how key moments in the development of the current global disorder were mediated by the EU institutions, laying the foundations for the new EU industrial strategy that has taken form today.

The pivotal moment in the emergence of the new global disorder was the 2008 global financial crisis, which embodied the greatest shock to the world economy since the Great Depression. In the immediate aftermath of the crash, EU leaders were quick to blame the crisis on 'Anglo-American' excess (Tooze 2018). Nicolas Sarkozy (then French President) proclaimed that the crisis spelled the end for untrammelled laissez-faire capitalism (MercoPress 2008), while José Manuel Barroso claimed that 'the crisis was not originated [sic] in Europe ... this crisis originated in North America and much of our financial sector was contaminated by... unorthodox practices' (BBC 2012). These assertions conveniently ignored the deep entanglements between European and US banking systems which had taken shape during the globalisation of the 1990s and 2000s (Tooze 2018). By 2008, domestically owned European banks had $5 trillion of claims on US assets (Thompson 2016: 221). As a result, European financial institutions were highly exposed to the dollar liquidity shortage that took root in the aftermath of the crash (Tooze 2018). Fearing a global crisis of the financial system, the Federal Reserve stepped in as a lender of last resort, extending up to $310 billion in 'swap lines' to the European Central Bank and the Bank of England (Helleiner 2015).

The 2008 crisis and its aftermath form the critical background conditions which drove the shift towards a new EU industrial strategy. In the 1990s and 2000s, EU officials had argued that the formation of the euro, backed by an independent central bank and tight fiscal rules, would support the development of a more autonomous European economic model capable of challenging the US dollar. However, 2008 revealed that the European banking system remained structurally subordinate to oscillations on Wall Street and highly dependent on the Federal Reserve as a lender of last resort.

Crucially, the long tail of 2008 generated an extended deflationary period which, in the context of the eurozone crisis, bolstered calls for a new EU industrial strategy. Tight fiscal constraints – entrenched by the European Semester process – sapped demand from the EU economy and compounded low levels of private and public investment. Countries on the eurozone's southern periphery experienced falling industrial output and a shedding of manufacturing employment. It was in this context that the European Commission launched the European Industrial Renaissance paper (2014), which sought to respond to the deflationary context of the eurozone crisis via a blueprint for a new EU industrial strategy. As the Commission noted at the time, 'the legacy of the crisis is severe: since 2008, 3.5 million jobs have been lost in manufacturing; the share of manufacturing in GDP has fallen … and the EU's productivity performance continues deteriorating in comparison to that of our competitors' (European Commission 2014: 2). In this context, the European Commission, under president Jean-Claude Juncker, launched the European Fund for Strategic Investments (EFSI), which deployed the EU budget as a guarantee to 'de-risk' private investments in key strategic sectors. The 'Juncker fund' formula of derisking private finance would form a key plank of the EU's industrial strategy over the following decade (Gabor 2023).

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The second driver of the new EU industrial strategy was the ongoing rise of China, and its rapid penetration, throughout the post-crisis period, of global export markets for higher value-added products. In solar photovoltaic technology, for example, China moved from zero production capacity in the early 2000s to dominating over 70 per cent of the global production market by 2017 (Wen et al., 2021). In the wake of the 2008 crash, Beijing implemented a gargantuan $600 billion post-crisis stimulus package, which consolidated China's position as a key reservoir of global demand (Tooze 2018). China surpassed the US as the world's leading recipient of FDI, became the leading source of merchandise trade, and accounted for over a third of global growth in the wake of the crash. China's rapid ascent had significant implications for the EU. The $4.5 billion acquisition of Kuka – a German-based robotics firm – in 2016, by the Chinese firm Midea, came to symbolise the increased presence of Chinese investments in Germany. Concern intensified when China invested $70 billion in high-tech European firms in the first six months of 2016, more than in the previous three years combined. This led to rising concerns that Chinese firms were engaged in processes of hostile technology transfer from Germany's nascent technological leaders. Faced with an influx of Chinese investment into its key innovative sectors, German industry broke with its traditionally accommodative stance to Beijing. In 2019 the Federation of German Industries (BDI), erstwhile advocate of openness to Asia, described China's state-dominated economy as a 'systemic rival' to German and European industry.

The pivot from an accommodative to a more defensive China strategy crystallised over the subsequent years. In 2017, the German, French, and Italian governments called for action at the EU level to limit hostile foreign investments from non-EU countries, culminating in the FDI screening mechanism which sought to limit hostile takeovers of critical infrastructure. In 2019, Peter Altmaier, then Germany's minister for economic affairs and energy, signed a Franco-German manifesto on industrial policy with Bruno Le Maire, then French finance minister (BMWI and MEF 2019). The manifesto noted that European firms were competing with international rivals that were often heavily state subsidised, recommending an overhaul of European competition law to facilitate larger mergers and acquisitions between European firms. Screening 'hostile' foreign investments, relaxing the EU's erstwhile robust competition law whilst promoting the development of 'pan-European industrial champions' now took shape as further elements in the EU's new industrial strategy (Lavery 2024).

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The third driver of the new EU industrial strategy formed in the context of the Covid-19 pandemic. Shortages of critical inputs and inflationary spikes that took place during Covid-19 revealed the extent to which EU industry was vulnerable to supply chain disruptions, particularly in key strategic segments such as critical raw materials, lithium-ion batteries, semiconductors, hydrogen, and cloud computing. In the 1990s and 2000s, prevailing policymaking wisdom held that globalised supply chains would reduce costs and maximise efficiencies; yet, by the 2020s, the vulnerabilities that this might introduce had taken centre stage. In terms of the new EU industrial strategy, this prompted the European Commission to initiate an extensive report into 137 products that embodied 'strategic dependencies' for European industry (European Commission 2022a). A range of related initiatives aimed to bolster the resilience of EU supply chains, including the Action Plan on Critical Raw Materials (European Commissio, 2020b), the European Battery Alliance (European Commission 2025), and ongoing support for Important Projects of Common European Interest (IPCEIs) in key sectors, including hydrogen, semiconductors, cloud computing, and batteries.

The fourth driver of the new EU industrial strategy was the proactive industrial policy pursued by the Biden administration. The $370 billion Inflation Reduction Act (IRA) and the $57 billion Chips and Sciences Act together utilised a range of mechanisms – including subsidies, local content requirements, and additional support for R&D – which aimed to crowd in private investment into key US sectors and thereby 'reshore' manufacturing jobs. The EU felt compelled to react, with President Ursula von der Leyen stating the European Commission's intention in 2021 to develop an equivalent EU Chips Act, which came into force in September 2023. Other initiatives from this period, including the Net Zero Industry Act (NZIA), aimed to bolster European competitiveness in clean technology, directly in response to the subsidies that Biden channelled to the renewable energy sector in the US. In this sense, a key strand of the new EU industrial strategy – the drive to support strategic, green technologies – developed in combination with equivalent interventions on the other side of the Atlantic.

The EU's semiconductor sector: drivers and limits of the EU's new industrial strategy

The new EU industrial strategy encompasses a wide range of sectors, legislative instruments, and policy priorities. Despite this complexity, it is possible to identify a consistent set of principles that underpin this new paradigm in EU economic policymaking. These include: (i) bolstering state support for key strategic sectors; (ii) minimising dependencies on third countries for key critical raw materials and technologies; and (iii) reshoring manufacturing capacity. Taken together, the EU hopes that these new policy orientations can propel Europe into a new phase of 'strategic autonomy', preventing the EU from 'falling behind' other economic blocs, particularly the US and China.

To what extent has this new approach been successful? The semiconductor or 'chips' sector has been a central focus of new EU industrial strategy. The following section traces the development of the EU's semiconductor strategy, identifying the ways in which the principles of state support for strategic sectors, supply chain resilience, and reshoring have been articulated in this policy area. The analysis suggests that, while the EU's semiconductor strategy ostensibly attempts to shore up key segments of EU industry within global supply chains, its current form generates new dilemmas from an EU policymaking perspective.

The EU's entanglement in the 'chip wars'

Since 2016, the semiconductor industry has become a key site of conflict between states and a prominent symptom of emerging patterns of global disorder (Miller 2023). Semiconductors – tiny microelectronic chips – form the material infrastructure that underpins all modern forms of digitalisation and computing. Smartphones, cars, artificial intelligence, data centres, modern weapons systems, home appliances, and telecommunications networks are all reliant upon this technology. In the 1990s and 2000s, semiconductors were viewed as a globalised industry par excellence, drawing together intellectual property in Silicon Valley, chip design in the UK, chemical processing in Japan and Germany, machine tool manufacture in the Netherlands, high-end chip fabrication in Taiwan, and the back-end integration of components in Vietnam and Malaysia. However, over the past decade, this industry has become increasingly 'weaponised' in the context of the US–China conflict over technological supremacy (Farrell & Newman 2019).

There are two principal ways in which the EU has become entangled in the battle over semiconductors. The first relates to the question of export controls. In July 2018, during his first term as US president, Donald Trump announced a 25 per cent tariff on Chinese chip imports (Bown 2020). The Biden administration subsequently strengthened export controls that aimed to prevent US firms and third countries such as Taiwan and Korea from exporting critical components to China (Allen 2024). US export controls under both administrations fed through directly to European firms and the EU more widely. The Netherlands is the base of ASML, a machine tools company that specialises in extreme and deep ultra-lithography equipment, which is critical to the manufacture of high-end semiconductors. In 2018, the Dutch government approved an export licence for ASML to sell extreme ultra-violet (EUV) lithography machines to Beijing. In response, the US authorities opened bilateral meetings and exerted extreme diplomatic pressure on the Dutch government. By July 2020, the Dutch government complied with US demands, revoking ASML's China export licence. In January 2023, the Dutch government signed a further agreement with the US to curb the Dutch export of key semiconductor manufacturing technologies to Beijing.

The second source of EU entanglement in the wider 'chip wars' took shape in 2021, in the wake of Covid-19. During the pandemic, demand for semiconductors shifted (Miller 2023). Industrial firms such as automotive producers cut back on orders, while there was a surge of demand from the ICT sector as firms and households shifted towards remote working. As lockdown restrictions eased in mid-2021, and in a context of pent-up demand, automotive and other sectors began to place high levels of chip orders. At the same time, US export controls had led China to stockpile large numbers of chips. The result was a 'chip choke' – a severe constraint on semiconductor supply to the world economy, contributing to wider supply shortages and generating further inflationary pressure.

The semiconductor shortage severely affected the EU economy. High demand for chips led to a doubling of order times from 10 to 20 weeks. This had a spillover effect on key EU sectors where demand for semiconductors is highest, including automotives, communications, healthcare, and consumer electronics. Automotive production fell amidst supply chain shortages (European Commission 2021: 9). Eric-Mark Huitema, director general of the European Automobile Manufacturers' Association, reflected his industry's concerns about the 'chip choke' when he stated that the EU faces 'an acute supply chain issue with severe and immediate consequences for the European auto sector', advocating for a 'strategic plan to increase the production of semiconductors in the EU' (ACEA 2020). The spillover of semiconductor shortages into automotives and other key sectors presented a key challenge for EU policymakers, such that establishing 'security of supply' by reshoring productive capacity became a key focus for EU officials in the subsequent period.

The EU's semiconductor strategy

The EU's headline response to US–China semiconductor rivalry culminated in the 2022 'A Chips Act for Europe' (European Commission 2022b). Guided by the ambition to achieve a 20 per cent share of global semiconductor production, this communication aimed to shore up the EU's strong R&D capacities while also, crucially, developing the EU's manufacturing capacity in this sector. Specifically, the strategy aimed to build up production of the most advanced chips (not currently manufactured in Europe at all) and thus turn the EU into an 'industrial leader' in this sector (European Commission 2022b: 3). To reshore chip manufacture, additional public support – from the EU budget and national budgets – is pledged to investments in manufacturing capacity.

In addition, the Chips Act offers a new legal basis on which subsidies awarded by member states to the construction of 'first-of-a-kind' production facilities in Europe may be deemed compatible with rules limiting state aid within the EU internal market. So far, under the aegis of the Chips Act, Italy has awarded €292.5 million to the construction of an industrial plant by STMicroelectronics (European Commission 2022c), France has awarded €7.4 billion to the construction of a joint mass production facility by STMicroelectronics and GlobalFoundries (European Commission 2023a), and Germany has channelled almost €10 billion in subsidies to Intel and €5 billion to TSMC for the construction of new chip manufacturing plants in the country (China Finance, 2024; Germany Trade & Invest, 2024). Moreover, these new individual state aid measures take place in conjunction with the development of an Important Project of Common European Interest in the field of microelectronics, involving €8.1 billion in state aid from 14 EU member states (Lavery & Lopes-Valenca 2025).

External convergence and internal divergence

The EU's industrial strategy in the sphere of semiconductors embodies a convergence with a wider global trend. However, this new industrial policy constellation produces new fissures within the fabric of the European economy. The various strands of the EU's semiconductor strategy – the creation of pan-European industrial clusters, the extension of state aid exemptions for member states, and the wider impetus of the Chips for EU Act to engender a reshoring of semiconductor production – compound pre-existing divergences at the heart of the European political economy. Firms and states with pre-existing advantages in the semiconductor supply chain and with fiscal resources at their disposal are well positioned to capitalise on this supranational policy shift, while firms and states that are not integrated into the supply chain find themselves potentially locked out from accessing new funding streams and state aid support.

As related research shows (Lavery & Lopes-Valenca 2025), the Important Project of Common European Interest on Microelectronics (IPCEI-ME) – one of the key components of the EU's subsidy regime for semiconductors, accounting for €30 billion total investment – has been characterised by a highly uneven distribution across EU member states. Germany alone accounts for 53.4 per cent of the total subsidies granted under this regime (ibid). Firms operating in other member states, such as Slovakia, Romania, and Malta, have also received disproportionately high levels of state aid when we adjust for the size of their economies. However, the national-level state aid data can obscure the direction of the state aid that is being granted. The firms participating in the Romanian IPCEI-ME, for example, are in fact domestic subsidiaries of foreign multinational corporations: Bosch (German), Continental (German), and NXP Semiconductors (Dutch). This suggests that the EU's new industrial policy in the sphere of semiconductors introduces new dilemmas for economic policymakers. As the EU mobilises to support its own industrial base, it does so at the risk of distorting the single market and reinforcing pre-existing divergences between Europe's export-led core and its southern and eastern periphery.

Conclusion: EU industrial strategy in a new global context

Over the past decade a new industrial strategy has taken shape across Europe. In one sense, this repeats patterns from the past. Throughout the post-war era, a 'fear of falling behind' rival economic blocs recurrently motivated European elites to embrace new forms of integration. However, the current context of global disorder is also distinct from past episodes. The legacies of the 2008 financial and eurozone crises, the ongoing rise of China, the aftermath of the Covid-19 pandemic, and the protectionism of successive US administrations embody a unique set of circumstances unparalleled during earlier phases of integration. Enhanced state support for strategic industries, minimising supply chain dependencies, and reshoring key strategic productive activities have returned to EU policymaking agendas but in a new form and under a novel set of international conditions.

The legacies of the 2008 financial and eurozone crises, the ongoing rise of China, the aftermath of the Covid-19 pandemic, and the protectionism of successive US administrations embody a unique set of circumstances unparalleled during earlier phases of integration.

What might this new era of global disorder and the return of EU industrial strategy mean from a policymaking perspective? Leaders at the EU and member-state levels must begin by acknowledging the unprecedented character of the present moment and the novel challenges that it generates. Throughout its post-war history, European integration was profoundly shaped by the wider framework of US-led global order. Since the 1980s, EU policymakers wagered that liberalisation under the auspices of the single market would be enough to prevent the EU 'falling behind' the US and other major powers. The past decade of global disorder has shown that this approach is now failing. In place of a US-led liberal order, a more de-centred and multi-polar world has taken shape, marked by the proliferation of protectionist economic strategies between rival regional and economic blocs. The EU's long-standing commitment to liberal economic integration is now an outlier relative to the more muscular interventionist economic strategies pursued in the US, China and by other rising powers in the global south. The choice for Europe today is whether to embrace this new world of economic interventionism or to cleave to the EU's historic and fundamentally liberal international orientation.

The rise of the new EU industrial strategy is an important aspect of the EU's contemporary response to this challenge, but in its current form it is incomplete and riven with tensions. As we saw in relation to the case of semiconductors, EU policymakers have significantly relaxed competition policy to shore-up fabrication capacity and the resilience of European supply chains. However, as we have seen, this potentially threatens the integrity of the single market, as export-led member-states at the 'core' of the European economy disproportionately benefit from new subsidy regimes and consolidate their position at the heart of the EU economy. Balancing expanded support for the EU's industrial base whilst maintaining the cohesion and integrity of the single market is likely to form an enduring dilemma for EU policymakers over the coming decades. The stakes of getting the balance right between an embrace of the new protectionism and the continued economic integration of Europe could not be higher. 'Falling behind' may be one very real fear in an age of global disorder; the 'breaking apart' of the EU and its single market is quite another.

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