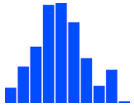
The Return of Industrial Policy in Telecommunications

Prof. Maria Alessandra Rossi
Department of Economic Studies, University of Chieti-Pescara
Centre for a Digital Society, European University Institute, Florence

Agenda

- Why is industrial policy no longer a «swear word» in Europe (and elsewhere)?
- Selected features of the new European industrial policy
- 3 lessons from the European experience so far

The rising tide of industrial policy/1



Economic Concerns

- Weak productivity growth (vs. US) since 1990s
- Post-2008 crisis exposed structural **competitiveness** gaps

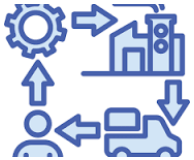
Climate & Societal Goals

- Expansion of **goals** targeted through industrial policies **beyond growth** - focus on green tech, sustainability, and public value creation
- Rise of mission-oriented **innovation** policies

Geopolitical Shifts

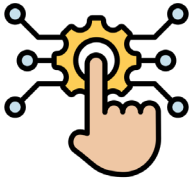
- China's state capitalism challenged EU's liberal trade model - geopolitical lens emerges
- Industrial policy reframed as tool for **technological sovereignty**

The rising tide of industrial policy/2



Pandemic & Supply Chain Shocks

- COVID-19 revealed vulnerabilities in critical inputs and dependencies
- **Strategic autonomy & resilience** became core policy goals



Digital Transformation

- **Digital infrastructures and digitalization** now central to industrial capacity
- Concerns over Big Tech dependencies and cybersecurity
- 5G, AI, and cloud seen as strategic technologies for EU autonomy

1 Technology-specific and whole-value-chain industrial policy

The novelty

- The EU has recently moved beyond traditional **horizontal** (general R&D, education) and **vertical** (sectoral) policies.
- A new **technology-specific approach** targets critical technologies (e.g. 5G, AI, chips), cutting across sectors and with broad economic impact
- This aligns with the EU's goals of **growth**, **climate transition**, and **technological sovereignty**.

Why it matters:

- Shifts focus towards the **entire value chain**
- Supports both **innovation** and **adoption**, addressing Europe's productivity lag.
- Enhances the role of **demand-side tools** (e.g. procurement, standardization) in industrial policy.

1 What can we learn from this?

Telecom as a Cross-Sector Enabler

- Treat 5G/6G not just as infrastructure but as **general-purpose technologies**
- Integrate telecom into **broader industrial transformation strategies**

Early standardization efforts are critical

- **Uneven adoption of common security standards** in spite of attempts at coordination through the **5G Toolbox**
- Divergences on data interoperability protocols, certification schemes, and governance models have hampered success of **Gaia-X cloud initiative**

Take seriously the need to concentrate resources/select investments

- In the EU, the whole-value-chain approach extended to a wide range of technologies, yet the **scale of resources** deployed is relatively limited
- Need to devise appropriate criteria to **select technologies worthy of public support**

2 “Open strategic autonomy” as the approach to the geopolitical dimension

A compromise approach

- **"Open"** emphasizes ongoing engagement with global markets and partners, and continued adherence to WTO-compatible trade rules.
- **"Strategic autonomy"** suggests a capacity for unilateral action and reduced dependency on third countries in critical sectors.

In practice:

- Selective **relaxation of state aid rules** (e.g. TCTF, IPCEIs) to support strategic telecom initiatives
- National measures: **local content rules, export controls, FDI screening**
- **Preference for EU providers** in public procurement (telecom, cloud)
- **Restrictions on non-EU technology** vendors in sensitive infrastructure
- **New approach to global standard-setting** to promote EU regulatory values

2 What can we learn from this?

Transparent and consistent policy language is crucial

- The inherent ambiguity of the approach created **policy uncertainty** about whether EU industrial policy should prioritize internal market cohesion or geopolitical resilience and national security
- Uncertainty faced by private investors **jeopardizes the intended effects of industrial policy**

Addressing the geopolitical dimension should not compromise internal equity and cohesion

- Industrial policy entails making choices with important **distributional consequences across territories**, which should be adequately addressed
- These effects are magnified if there is scope for **subsidy races**

3 Industrial policy reaching beyond its traditional boundaries

- **EU State Aid rules** have long reflected the need to balance market competition with other public policy goals
- The **2024 "Draghi Report"** has made a further step forward, proposing a **reinterpretation of many policy areas through the lens of the competitiveness objectives** of industrial policy
- Policy discussions on the need to explicitly consider efficiency gains and long-term investment incentives, especially in the context of the **consolidation of telecom markets,** but so far static effects still dominant (ex. Orange/MásMóvil merger, approved with conditions)
- Much emphasis is placed on the **negative effects of regulation on innovation**

3 What can we learn from this?

A structured approach and transparent monitoring of effects are crucial to assessing the competition implications of subsidies

- EU state aid rules and the public reporting system to monitor targets provide an interesting blueprint (competitive tenders, performance-contingent funding etc.)

Implementing conditionality in merger review and developing a solid framework to assess dynamic implications of mergers may help balancing conflicting objectives

- No conclusive indication from the EU experience, but revision of the Horizontal Merger Guidelines expected by the end of 2027

Enhanced policy coherence and interinstitutional coordination are ever more important

- The EU has struggled to maintain a **coherent strategic vision** due to institutional silos within the Commission (DG COMP, DG CNECT, and DG GROW), between Parliament and the Commission, and between supranational and national levels
- For instance, no framework exists to incorporate the geopolitical dimension in regulatory design

Conclusions

- **Industrial policy is evolving** beyond old dichotomies and growing in complexity → need to invest in institutional capacity and policy coherence
- **Targeting technologies, not just sectors**, can enhance policy effectiveness, provided standards are framed early on to stabilize expectations and the scale of resources is sufficient
- **Distributional consequences across territories** of geopolitically driven industrial policy choices should be seriously considered

Thank you for your attention!

alessandra.rossi@unich.it
alessandra.rossi@eui.eu

- ROSSI, M.A. “EU technology-specific industrial policy: the case of 5G and 6G”, 2024, Telecommunications Policy, 102639, https://doi.org/10.1016/j.telpol.2023.102639.
- MARCUS, J. S.; ROSSI, M. A.; MAZZONI, L.; PARCU, P. L. (2025), The impact of EU online platform regulation on EU productivity: a preliminary assessment, Technical Report, https://hdl.handle.net/1814/77893
- MARCUS, J. S.; ROSSI, M. A. (2024), Strengthening EU digital competitiveness: stoking the engine , Technical Report, https://hdl.handle.net/1814/76877