The New Age of Industrial Policy: What It Means for Business Strategy

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Teneo

Executive Summary

Bottom Line Up Front

- Industrial policy is no longer a policy debate. It is a market condition. Companies that treat it as a short-term cyclical event risk falling behind. It is now a central feature of economic strategy in the U.S., the EU, China and beyond.
- These policies are now mission-driven and explicitly geopolitical, not primarily driven by rationales of competitiveness.
- Industrial policy is louder, larger, more strategically targeted, more politically defended and more likely to distort trade. This is not a temporary departure from globalization. It represents a new model of economic competition.
- Using the Global Trade Alert NIPO database, we observed a spike in annual protectionist industrial policy use, increasing from 1,141 in 2009 to 1,977 in 2025. Roughly 63% of these measures originate from the U.S., EU+UK and China, the world's largest economic blocs.
- The type of policy mechanism has also evolved. In 2025, import barriers (27%), domestic subsidies (26%) and financial/investment controls (23%) were the three main applications of the "toolkit." Policy has shifted toward concentrated intervention in machinery, semiconductors, transport equipment, energy, critical minerals and dual-use technologies.
- National security and geopolitical objectives are the primary driving motives today.

The Implications for Business

Companies can no longer treat industrial policy as a compliance issue or a risk to hedge at the margins. It is now a board-level strategic variable. Leaders must:

- Adopt a long-term view of protectionism: Recognize that protectionist and industrial policies are becoming structural features of the global economy
- Strengthen internal policy intelligence: Build capabilities to track, model and forecast the economic, financial and reputational impacts of industrial policies and integrate these insights into strategic decision-making
- Reposition global brands for local value: Reassess brand, reputation and corporate narrative to clearly demonstrate local value in each market
- Build strategic partnerships and coalitions: Engage industry peers and key stakeholders at national, regional and local levels to support economic development priorities and strengthen policy advocacy
- Tailor strategy by geography: Develop differentiated strategies based on regional policy environments, recognizing varying approaches to industrial policy across markets such as the U.S., Europe, Asia and the GCC

Much of the academic debate has focused on whether industrial policy (IP) works. Far less attention has been given to how companies should operate in a world where it is now pervasive.

Teneo's Industrial Policy Series shifts the focus from theory to strategy, mapping the instruments, sectors and motivations driving neo-industrial policy, and outlining how corporate decision-makers can adapt, compete and avoid obsolescence in the process. The first article examines the rapid expansion of industrial policy, the tools governments are deploying and the sectors most affected, and highlights what this shift means for corporate leaders.

Introduction

The global economic order was turned upside down on "Liberation Day," April 2, 2025, when the Trump administration introduced a series of sweeping tariffs aimed at "reclaiming" American industry. Despite a volatile series of pauses, negotiations and ongoing legal challenges, the announcement brought to the forefront of public attention the new direction of global economic development, one that steps away from globalization and free trade toward economic growth defined largely through policies of protectionism, national security, independence and targeted government investment in strategic technologies.

Liberation Day, however, captured a trend in policy that was already at work prior to President Trump's inauguration in January 2025. The increasing use of industrial policies across developed and emerging markets has been underway for some time. The tariff policies announced brought into focus the sentiment of the "restless state." This restless state has been awakening to respond to generational challenges such as digital transformation, climate change and the return of explicit geopolitical rivalries. As this series will show, governments have been employing neo-industrial policies at an increasing rate since the global financial crisis in 2008-2009, with a critical pivot toward "mission-driven" policies occurring in the post-COVID recovery years.

During the globalization era, industrial policy was largely associated with emerging markets seeking to catch up with advanced economies, and it attracted relatively little attention from multinational firms operating in major markets. That began to change after the global financial crisis, as governments increasingly used targeted support for industries, innovation and energy transition technologies. The COVID-19 pandemic further accelerated this shift, highlighting the strategic importance of domestic industrial capacity and supply chain resilience.

Then came the loud endorsement and large-scale investment in industrial policies, and the implicit acknowledgment that they are here to stay and will define the next era in global economic development. The U.S. Inflation Reduction Act (IRA) and the CHIPS Act are good demonstrations of this dynamic. Characteristic of this era, IPs sought to remain within existing trade rules, especially those aligned with WTO exemptions that allowed for the protection of domestic industries on grounds of national security and climate change.

What Are "Neo-Industrial" IP Policies

IPs are deliberate government actions intended to shape the economy to achieve a particular policy objective. IPs can target specific sectors or technologies or serve as an instrument used across the economy for a broader mission such as national security. They are deliberate and interventionist by definition and assume that markets themselves would not achieve the same outcome if left alone. They can be either protectionist or liberalizing in policy direction.

Until recently, there has been no place to measure all industrial policies in the same way that fiscal or monetary policy is measured. Nor is there full alignment on what constitutes industrial policy. The GTA has been tracking trade and industrial policies since 2009. GTA manages the NIPO, which identifies around 32,136 policy interventions from 2009-2026. Of these, approximately 81% (25,968) are considered "trade distortive."

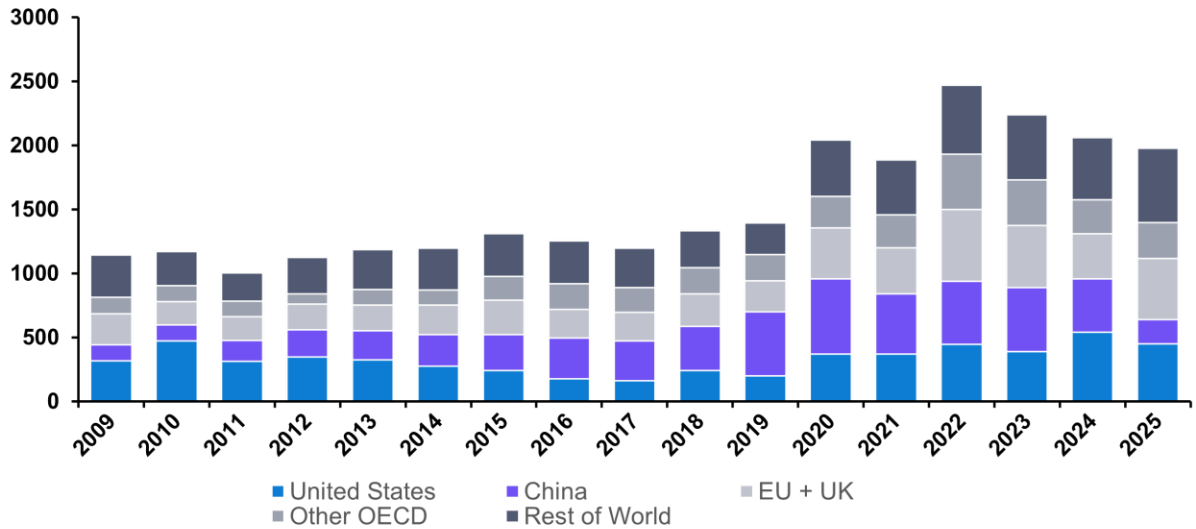
The NIPO's definition of industrial policy is any targeted government intervention aimed at developing or supporting specific domestic firms, industries or economic activities to achieve national economic or noneconomic objectives, such as national security, public health or environmental goals. GTA further defines "New Industrial Policy" to encompass measures with an emerging and expanding set of objectives, in addition to more traditional objectives such as promoting sectoral "competitiveness."

GTA groups its policies into the following eight categories: (i) export barriers, (ii) import barriers, (iii) domestic incentives (state loan, financial grant), (iv) export incentives (i.e. export subsidies), (v) FDI measures (i.e. entry and ownership rules), (vi) public procurement measures (i.e. public procurement access), (vii) local content and localization measures (i.e. local content requirements) and (viii) other policies (such as IP protection). Our analysis builds around these categories, with some modifications, to derive our insights.

IP Use Is Ubiquitous Globally

The data shows an overwhelming increase in IP usage over the last 15+ years. Since 2009, the use of IPs tracked by the database grew from 1,141 in 2009 to 1,977 in 2025, as shown in Figure 1 below.

Figure 1. Industrial Policy Interventions by Region (Unique Distortive Measures), 2009-2025



Source: Teneo research and analysis

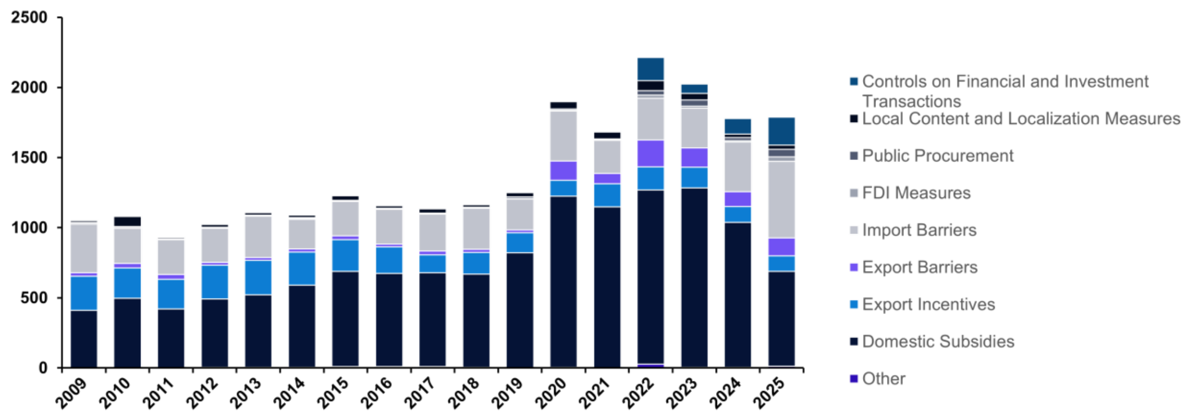
China, the EU and UK, and the U.S. account for an overwhelming majority of the IPs that have been enacted over this period, approximately 63%.[1] This underscores that IPs are actively being used by the world's largest economies and emerging markets alike as a way to protect nascent industries.

[1] Evenett, Adam Jakubik, Jaden Kim, Fernando Martín, Samuel Pienknagura, Michele Ruta, Sandra Baquie, Yueling Huang, and Rafael Machado Parente, *Industrial Policy Since the Great Financial Crisis*, IMF Working Paper WP/25/XX (Washington, DC: International Monetary Fund, September 2025).

A Wide Array of IPs Are Being Used

As Figure 2 below shows, there has been a major uptick in use across all instruments, with the greatest use in import barriers (~27%), domestic subsidies (26%) and controls on financial and investment transactions (23%) in 2025.

Figure 2. Distortive Industrial Policy Interventions by Policy Group, 2009-2025



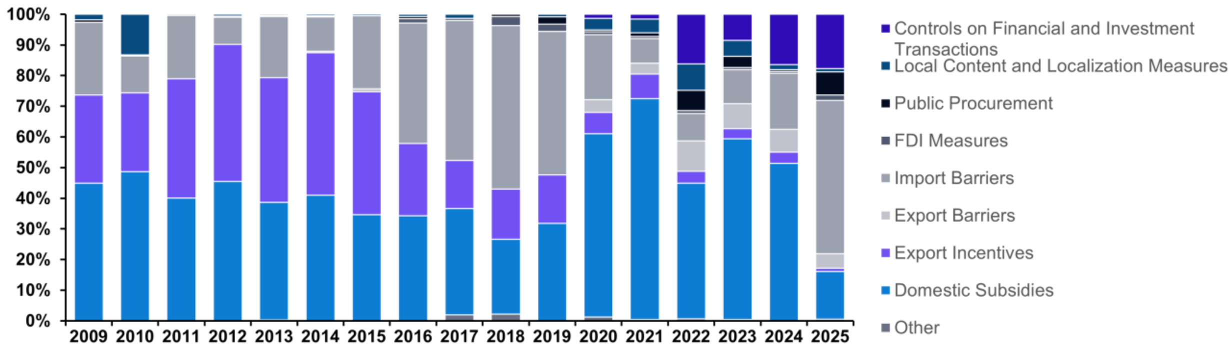
Source: Teneo research and analysis

In 2025, of the 1,977 policies tracked, 547 policies (approximately 28%) related to Import Barriers, of which 55% were linked to the use of tariffs. The United States was responsible for almost 20% of these globally.

A closer look at the U.S. reveals interesting insights into the changing mix of IPs (see Figure 3 below). We see that the type of IP used to satisfy public policy goals has shifted over the last 15 years. There has been a marked shift from the use of export incentives, for example, toward the use of import tariffs (mainly driven by the 2025 Trump Administration tariff agenda), an increase in controls on financial and investment transactions, the introduction of more public procurement and local content and localization measures and a drop in domestic subsidies (most likely reflecting the repeal of significant parts of the Biden-era Inflation Reduction Act).

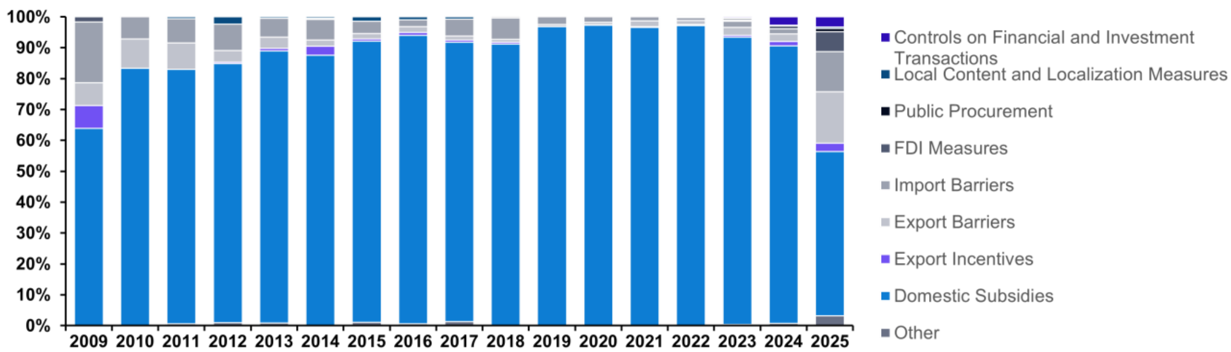
Figure 3-7: Industrial Policy Usage by Country/Region, 2009-2025

Figure 3: U.S.



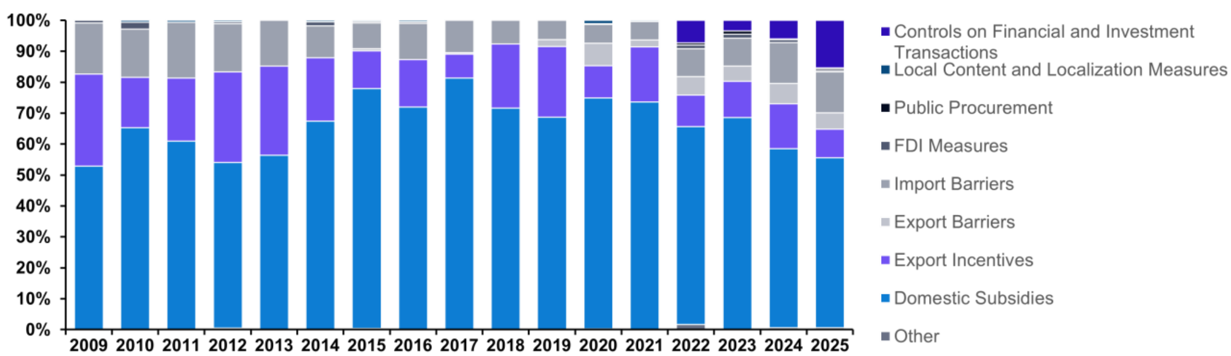
Source: Teneo research and analysis

Figure 4: China



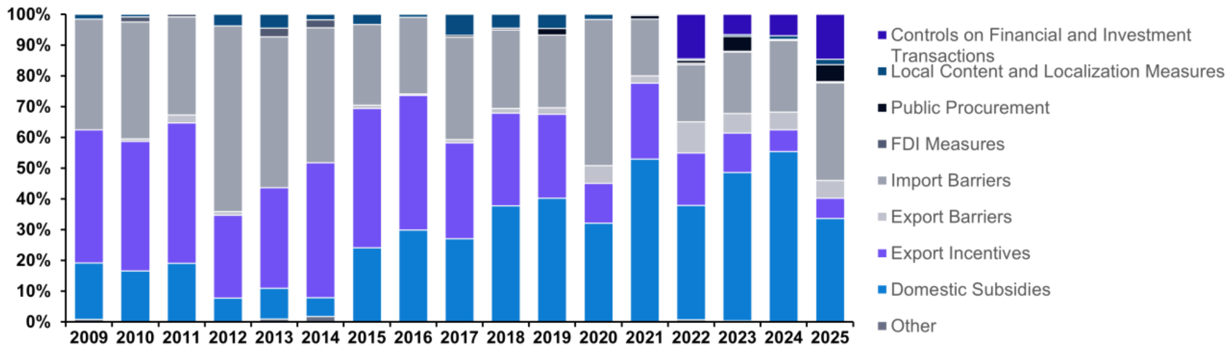
Source: Teneo research and analysis

Figure 5: EU+UK



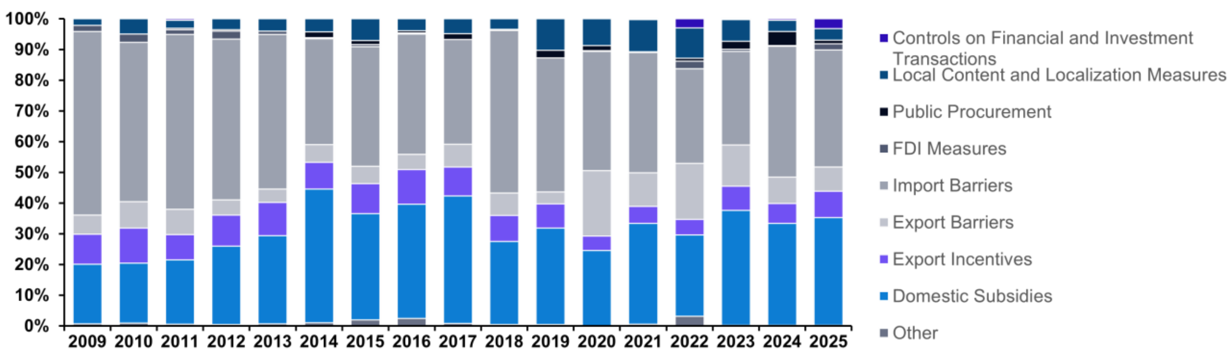
Source: Teneo research and analysis

Figure 6: Other OECD Countries



Source: Teneo research and analysis

Figure 7: Rest of World



Source: Teneo research and analysis

A similar breakdown for EU+UK and China shows different trends. Subsidies remain the dominant form of IP. Some changes to this are reflected in the data for China in 2025, likely as a reaction to the on/off trade war with the U.S. Data on the use of IPs for the Other OECD countries and rest of world shows a much more varied use of IP instruments. In part, this reflects larger fiscal constraints that limit the resources available for financial subsidies, but it also reflects other policy objectives. In these two groups, public procurement and local content and localization measures factor in more prominently.

Countries Are Applying IPs Across Most Sectors

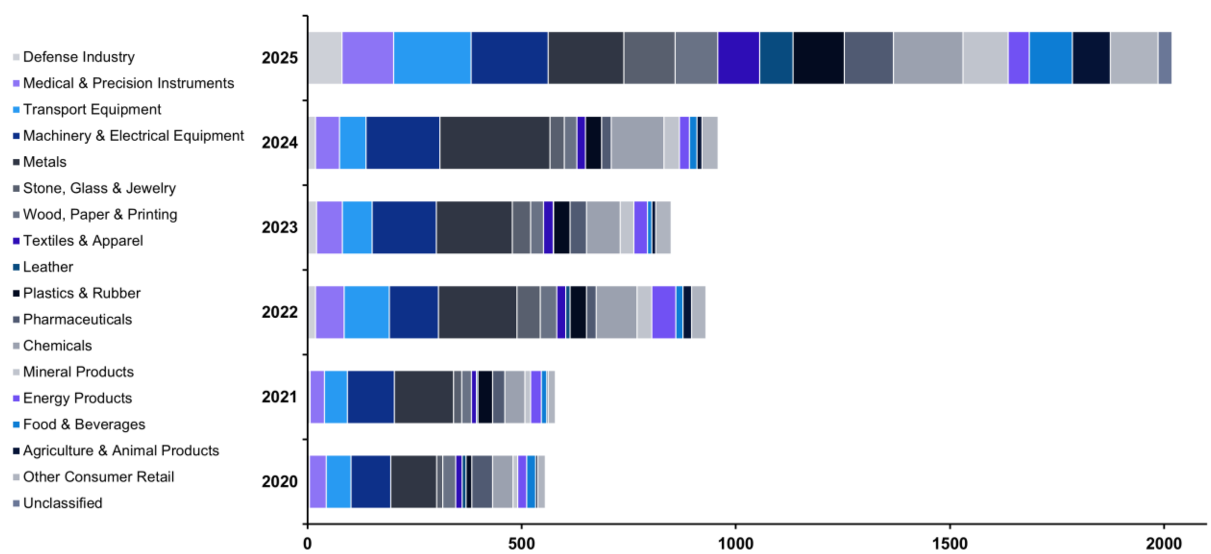
From 2009 through the mid-2010s, IP interventions were spread across a relatively broad set of macro sectors, with no single industrial category overwhelmingly dominant. Activity was visible in metals, chemicals and pharmaceuticals, and machinery-related sectors, reflecting a mix of traditional trade defense measures and competitiveness-oriented support.

A clear structural shift emerges after 2020. The total number of interventions rose sharply, and the composition tilts decisively toward sectors associated with industrial transformation and strategic competition. Machinery and electrical equipment, transport equipment and chemicals and pharmaceuticals gain prominence, alongside energy and mineral products.

By 2022-2025, the sectoral concentration becomes even more pronounced. A relatively small set of macro sectors accounts for a large share of new interventions, indicating that industrial policy is no longer broadly horizontal but increasingly targeted toward strategic industrial ecosystems. The clustering of policies in machinery, transport equipment, metals and energy-related sectors underscores the growing fusion of climate policy, industrial competitiveness and national security considerations.

Figure 8 provides a more detailed breakdown of these sectors vis-à-vis major products for the U.S. since 2020. By 2025, we see that the main sectors of treatment are chemicals, metals, machinery and electrical equipment, and transport equipment. Overall, the macro sector breakdown for the U.S. tracks closely with the macro sector breakdown globally.

Figure 8. U.S. Industrial Policy Interventions by Macro Sector, 2020-2025



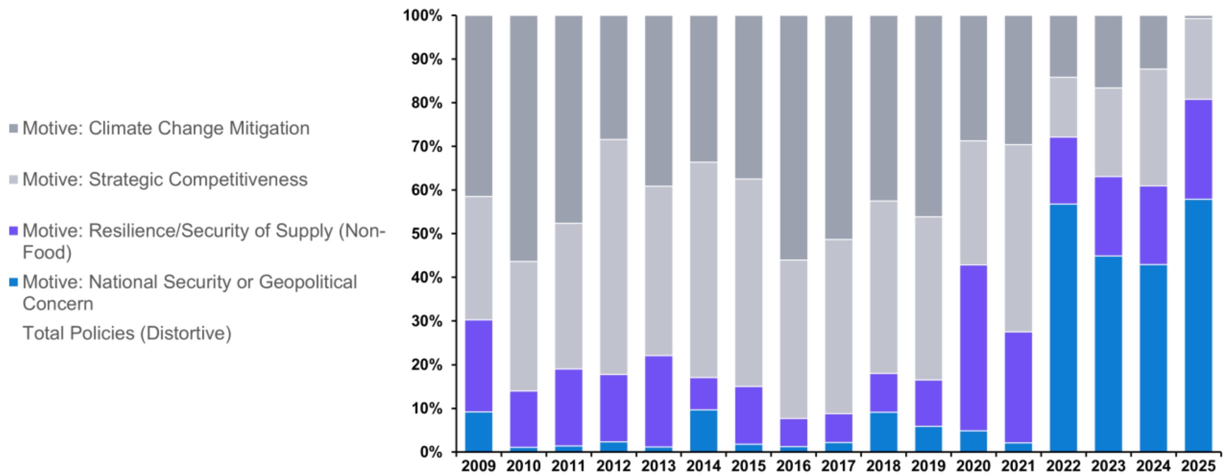
Source: Teneo research and analysis

Motivations Behind IP Use Are Evolving

The database allows us to assess these policies by their stated motive. These are divided into the following categories: (i) national security/geopolitical; (ii) resilience/supply chain; (iii) strategic competitiveness; (iv) climate mitigation; and (v) digital transformation.

Figure 9 below underscores the trend away from using IPs for climate mitigation and toward national security/geopolitical objectives. Figure X below shows this uptick beginning in the post-COVID recovery period in 2022. It continues to grow remarkably through 2025.

Figure 9. Industrial Policy Motives, 2009-2025



Source: Teneo research and analysis

What This Means for Corporate Leaders

This data underscores the current megatrend of economic protectionism in which we now live. No sector appears to be immune to treatment in some shape or form from existing or forthcoming industrial policies that are reshaping domestic and international markets. Acknowledging this position enables business leaders and key decision-makers to intentionally shift strategy not only to respond to the trend but also to leapfrog ahead and take advantage of the new opportunities that come with it. The critical thinking these leaders must undertake is:

1. **Embrace a longer-term position on the changing dimension of the global economy,** accepting that various protectionist economic policies will define this era of economic development. This is not a temporary deviation from an otherwise ongoing trend of the free movement of goods, capital and people around the world.

2. **Build new internal capabilities to track, scenario plan, forecast and measure the impact** (economic, financial and reputational) of these policies. This requires investing in internal and external expertise, access to the right data and analytical models, and changes to operational structures to ensure the insights are infused into decision-making. Despite the disruptions of the use of tariffs in the U.S. over the last 14 months, business leaders must assess the full range of industrial policies relevant to their business, as all have significant impacts on market access, costs, supply chain security and the calculation of risk.

3. **Reassess marketplace position vis-à-vis brand, reputation and corporate narrative,** knowing that there must be a clearer value proposition to "local." A new balance between being a global brand that delivers value locally must be achieved. To do so, business leaders must go through a process of carefully assessing the aspects of their global brand and operations that connect to the unique local value proposition in each market or jurisdiction. This process will then help determine the type of investment, the approach to stakeholder engagement and the sub-narrative that must be formed for each key market.

4. **Develop new partnerships within industry as well as with stakeholder groups** that actively shape economic development at the national, sub-national (i.e. state/province) and hyper-local level. These partnerships must be used to disseminate the refreshed corporate value proposition that reinforces the public policy goals of the various industrial policies. They must also be structured to build a coalition for advocacy and for right-sizing socioeconomic expectations vis-à-vis the timeline and scale of a business in the economy.

5. **Be aware of and prepared to take advantage of state-sponsored incentives** that are increasingly being used to secure local industrialization. This means not only tracking these policies but understanding how best to position and engage the right stakeholders to plan for and factor in the requirements that must be met to secure the incentive. Competition is high, so early mapping, action planning and engagement are essential in order to be successful.

6. **Understand national and regional context in order to develop business strategy differentiated by geography.** For example, governments are pushing into neo-IPs to different degrees, with Europe and parts of Asia looking for ways to remain aligned with WTO norms, albeit with more "flexible" interpretations, while many in the GCC continue to rely on their emerging market status to protect local industry, and the U.S. is now leveraging historic laws to justify policies increasingly on national emergency grounds.

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About Teneo's Industrial Policy Series

Much of the academic debate on industrial policy has focused on whether these policies work, with less attention given to how they are reshaping business strategy. As governments increasingly deploy neo-industrial policies to pursue economic, technological and geopolitical objectives, companies must understand how these interventions affect markets, supply chains and competition.

Teneo's Industrial Policy Series explores how these policies are evolving and what they mean for corporate leaders. The series begins with an overview of the instruments and sectors most affected and will examine specific policies, regions, industries and technologies in greater depth to provide practical insights for companies navigating this new policy environment.

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