Paradigm shift in EU industrial policy: on the way to an active pro-European industrial policy?

An analysis of EU competition control as part of an active EU industrial policy from 2010-onwards

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Abstract

Since the mid-2010s onwards, policy changes in the field of state aid, antitrust and foreign subsidies have been implemented, signaling a shift away from the fierce competition stance towards using EU competition control as part of a more active EU industrial policy, in the form of actively protecting and promoting European industries against foreign competitors. Adopting a historical institutionalist perspective based on the Gradual Change Framework (GCF), this paper sought to explain which endogenous and exogenous factors contributed to the paradigm shift in EU industrial policy. Process-tracing and semi-structured interviews have helped to reveal the importance of endogenous processes within the institution (changed German standpoints), as well as exogenous processes (the economic rise of China) in explaining institutional change which led to a paradigm shift in EU industrial policy. Moreover, the Covid-19 pandemic shows the importance of critical junctures, which speeded up the need to address foreign subsidies among Member States. This thesis contributes to the ongoing academic discussion by elucidating the origins and causes of the ongoing paradigm shift towards an EU industrial policy based on the concepts of 'strategic autonomy' and 'technological sovereignty'. While this state-interventionist EU industrial policy certainly has disadvantages, it will become clear whether or not the European Commission has achieved their goal of creating prominent 'Euro champions' in the near future.

Keywords:

Historical institutionalism- paradigm shift- EU industrial policy- competition control- process-tracing- semi-conducted interviews.

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Introduction

Since a couple of years, European Union (EU) industrial policy is back on the scene, closely following a worldwide trend (Aiginger & Rodrik, 2020). From 2013 to 2018, more than 80 states, accounting for 90 precent of global GDP, have adopted industrial policy programs (UNCTAD, 2018). This is astonishing insofar as for more than four decades, industrial policy was considered as an old-fashioned policy supporting 'lame duck companies' (Wigger, 2019). To date, there is hardly any EU government that has not warmed up to the idea of an EU industrial policy (Hall & Mine, 2019). At the EU level, the European Commission (EC) has evolved a stark proponent for an industrial policy that furthers *''Europe's competitiveness and its strategic autonomy at a time of moving geopolitical plates and increasing global competition''* (European Commission, 2020a). In its revised EU Industrial Strategy, which was outlined in May 2021, the EC reiterated the necessity of competitiveness, fair competition and technological sovereignty (European Commission, 2021f). Already prior to the unfolding of the Covid-19 pandemic, scholars noticed that the new EU industrial policy entailed traits of economic nationalism through actively protecting and promoting European industries against foreign competitors, notably through significant shifts in the fields of state aid, antitrust and attitudes towards foreign subsidies (Meunier & Mickus, 2020).

In the field of state aid, the EC was committed to endorse a broader understanding of so-called ''Important Projects of Common European Interest'' (IPCEI), a tool where projects with a common European interest can receive public financial support from if not considered anti-competitive (Meunier & Mickus, 2020). While previously only infrastructure projects were financed under the IPCEI policy, in recent years, the use of IPCEI was broadened to other policy fields such as microelectronics and battery value chains (European Commission, 2019a). The broadening of the scope activities under the IPCEIs indicates a shift away from the stringent prosecution of state aid of the past decades towards a more state interventionist understanding of competition control in the spirit of active industrial policy (Wigger, 2019).

The shift towards promoting and protecting European industries can also be observed in the field of antitrust. Antitrust legislation focuses primarily on preventing cartels and collusive corporate agreements, and the abuse of a dominant market position (Buch-Hansen & Wigger, 2011). In response to repeated criticism that investigations in market dominance were taking too long, the EC was committed to become more assertive in antitrust policy (Meunier & Mickus, 2020). Since then, the new approach of the EC is headed more towards faster and ex-ante anti-trust regulation in the form of interim measures (European Commission, 2019b). This means that the EC is able to prohibit certain conduct (e.g. selling a product within the market) by a firm already during an ongoing antitrust investigation, thereby making anti-trust investigations faster (Meunier & Mickus, 2020). In October 2019, the EC used interim measures for the first time in two decades (Feases, 2020). The rediscovery of the interim measures by the EC shows the more protectionist stance in EU industrial policy, because the use of interim measures as an instrument is a more effective and assertive way to protect European industries against foreign competitors by 'levelling the playing field', especially for European companies perishing severe competition from US- tech companies who have amassed a dominant market position (Feases, 2020). Moreover, the Digital Markets Act (DMA) proposal by the Commission in December 2020 also lays down ex-ante regulations to confront digital platforms with a dominant market position; another sign towards a more assertive antitrust policy.

Finally, the call for an instrument to tackle foreign subsidies in general market operations, public procurement and acquisitions from especially subsidized companies from China has received more rebuttal in recent years (Espinoza & Fleming, 2019). The EU stance on addressing foreign acquisitions, public procurement and general market operations has long been neoliberal with fully open markets as the cornerstone of industrial policy (Buch-Hansen & Wigger, 2011). However, since 2016, the EC adopted a more protectionist stance vis-a-vis foreign investments. For example, a FDI screening framework in the EU was implemented to coordinate the testing of foreign investments (Clingendael, 2020a). This more protectionist stance is also reflected in the recently published White Paper on levelling the playing field where proposals to address foreign subsidies regarding foreign acquisitions, public procurement and general market operations were drafted (European Commission, 2020b). This report has led the EC to come up with a legislative proposal for to tackle foreign subsidies on the 5th May, 2021 (European Commission, 2021c).

These measures above reflect an ongoing change away from the fierce competition stance towards using EU competition control as part of a more active EU industrial policy, geared towards actively protecting and promoting European industries against foreign competitors. Such a paradigm shift is surprising, because for decades, this idea was considered out of fashion. The paradigm shift is also surprising regarding its timing, because after the financial crises of 2008 no paradigm shift was observed in EU competition regulation despite the fact that economic crisis are seen ''as moments that can facilitate far-reaching institutional or regulatory change '' (Wigger & Buch- Hansen, 2014, p. 114). Since 1980, the dominant paradigm around EU industrial policy was embedded in the market-fundamentalist approach following the neoliberal orientation of the Chicago school economists (Buch-Hansen & Wigger, 2011). This approach was situated in the belief that free-market competition would lead to the highest prosperity possible and that markets rather than state-interventionists measures were the best way to develop world players (Buch-Hansen & Wigger, 2010). Some scholars still argue that the focus of industrial policy has not changed the regulatory neoliberal paradigm (e.g: Moussa, 2017). However, the above outlined shift entails strong tendencies of a more activist industrial policy by a broader application of IPCEIs in state aid, the use of interim measures after an absence of 15 years in antitrust and the development of a new tool to regulate foreign subsidies. In other words, this shows an ideological and policy shift towards a more state-interventionist industrial policy based on actively promoting and protecting European industries. More concretely, I will argue that these changes in policy orientation entail a paradigm shift, which implies that ''regulation in a specific area starts to become informed by a radically different sets of ideas and problem focus'' (Wigger & Buch-Hansen, 2014, p.115). This leads to the following research question:

What explains the paradigm shift from a neoliberal stringent competition only focus in industrial policy to using competition control again as an industrial policy to protect and promote EU industries against foreign competitors in the fields of state aid, antitrust and foreign subsidies?

Despite the gradual embrace of a more activist EU industrial policy in the second half of 2010s, industrial policy remains underreached in the EU studies and (Global) Political Economy literature (Aiginger & Rodrik, 2020). The bulk of the contributions stems from the economists. One branch of economists focusses on questions on how industrial policy ought to look like and thus has a strong policy prescriptive focus (Aiginger & Rodrik, 2020; Lall, 1996; Gelb et al., 2020; Lin & Wang, 2020; Fernandez-Arias et al., 2020). Most of these studies implicitly or explicitly condemn neoliberal solutions and advocate more state intervention in the spirit of post-Keynesian ideas. An advantage of these studies is that they add different proposals to the discussion on how to redeploy industrial policy in an effective manner. Other economists have focused on the causal effects of certain industrial policy using several econometric methods such as regression discontinuity designs or differences-in-differences designs (see e.g.: Howell, 2017; Juhasz, 2018; Becker et al., 2010; Cerqua & Pelligrini, 2014; Lane, 2020). Such analyses may be well suited to study the impact of industrial interventions. Yet, similar to the post-Keynesian economists, these scholars lack a coherent analyses of the politics that has driven such a paradigm shift. Moreover, the rise and decline of particular industrial policies is neither assessed in terms of broader ideological picture shifts, nor do these scholars rely on theoretically informed analyses.

The literature on competition policy often primarily focuses on questions related to regulatory and institutional changes, thereby also lacking a broader perspective on changes in competition policy (an exception are Buch-Hansen & Wigger, 2010). Moreover, competition policy tends to be portrayed as neutral, technical and apolitical (Motta, 2004; Damro, 2006; Pochet, 2016). Nevertheless, some scholars discuss paradigm shifts within the field of competition such as the recent paradigm shift towards a more state-interventionist understanding of competition control in the spirit of active industrial policy (e.g. Wigger & Buch-Hansen, 2014; Moussa, 2017). Meunier & Mickus (2020) also took a first good step in analyzing which factors have enabled the EC to embrace policies to actively protect and promote European industries. However also here, a clear theoretical framework that clarifies the observed changes in EU competition policy was absent. Moreover, they argued that a significant shift in merger control policies has taken place. Nonetheless, since the beginning of this competition pillar in 1990s, the EC was, and still is, good-hearted in approving mergers (Wigger & Buch-Hansen, 2017; Juncker, 2019). Notwithstanding this, we see major changes in the other domains of competition policy, but merger control seems to be excluded from this trend. It is also important to note that some scholars tend to believe that competition and industrial policy are two separate, opposing policy fields (Aiginger & Rodrik, 2020). In fact, competition policy has functioned as an industrial policy at the outset (Wigger, 2019). It should thus be seen as an integrated or systemic policy, not as an isolated policy strand that is or is not in conflict with other policies (Aiginger, 2014).

To remedy the lack of theoretical abstraction that helps to explain this paradigm shift in EU industrial policy, European integration theories such as neofunctionalism and liberal intergovernmentalism may appear to be a firsthand choice (Niemann & Schmitter, 2009; Jensen, 2004). They have adopted an agency-centered approach, focusing either on entities such as supranational organizations or member states as the key drivers for further integration. Yet, the theory is merely equipped to explain ongoing and thus more integration of hitherto national policy domains. It is unable to explain the content, form and scope of paradigm shifts (Jensen, 2004; Niemann & Schmitter, 2009). In contrast, liberal intergovernmentalism, which articulated a response to neofunctionalism during the 1980s emerged to fill the gap by neofunctionalist who did not pay attention to the importance of national state actors (McCormick, 2015; Hoffmann, 1966). While the focus certainly creates valuable insights, it lacks a theorization of the broader ideational and material underpinnings of agents driving and contesting the content, form and scope of a policy. Moreover, why and how interest groups within dominant member states may change and thus demand a different approach is not further theorized. The somewhat reductionist understanding of the interest group- state nexus renders liberal intergovernmentalism unable to explain more structural changes such as paradigm shifts (Moravcsik & Schimmelfennig, 2009). In response towards the debate between liberal intergovernmentalism and neofunctionalism, social constructivism emerged to tackle the ontological shortcomings, notably the absence of the ideational realm (Risse, 2009). By rejecting the assumption that agents are rationalist and utility maximizing, social constructivism sought to explain changes on the basis of mutually constructed joint understandings, ideas and norms emerging out of social interaction. Although social constructivist made invaluable contributions to grasp ideas, discourses and norm creations, it could not account for the material dimension (Bieler & Morton, 2008; Saurugger, 2014). While the theory was perfectly equipped to trace how ideas and norms came to prevail, it could not explain why some agents succeed in promoting their interests and others not (Bieler & Morton, 2008; Saurugger, 2014).

Scholars relying on a more critical policy economy approach sought to bring agency, structure, the ideational and the material dimensions, all in one (see e.g.: Wigger & Buch-Hansen, 2014; van Apeldoorn & Horn, 2019). Following a historical materialist tradition, Critical Political Economy (CPE) views policies as the outcome of social struggles by organized class interests emanating from how the realm of production is organized at a particular juncture (Moussa, 2017). By focusing on prevailing, or ascending and descending accumulation structures, and the norms and ideas promoting by agents rooted in these structures, it incorporates the material and ideational realm and includes structure and agency. While there is much to applaud and insights can be used, CPE misses more concrete conceptualization of institutional politics to use it in its entirety. Furthermore, lower institutional politics is likely to fall under the radar by enhancing a CPE approach.

In contrast, institutionalists approaches bring the mechanics of institutional politics into focus. Especially historical institutionalist such as Hall (1993) have greatly contributed to the debate about paradigm shifts (Thelen, 1999; Hall, 1993). Moreover, other historical institutionalist such as Mahoney & Thelen (2010) have become able to overcome the main criticism formulated towards historical institutionalism: a lack of a full theorized explanation for change under which an exogenous event will lead to a paradigm shift (Steinmo, 2008; Blyth, 2002; Hall & Taylor, 1996; Wigger & Buch-Hansen, 2014; Schmidt, 2006). In their Gradual Change Framework (GCF), they aim to explain how institutional change occurs on a gradual basis (Mahoney & Thelen, 2010). By doing so, they state that institutional outcomes are not necessarily the result of exogenous factors. Instead, institutional change can be the result of exogenous and endogenous sources animated by power-distributional implications (Mahoney & Thelen, 2010). Because of this, they do not focus solely on economic crisis as moments when regulatory paradigm shifts can take place, such as the critical political economy approach (Wigger & Buch-Hansen, 2014). This is a huge advantage, because the paradigm shift was already underway before the Covid-19 crisis unfolded. Moreover, whereas the more common institutional approaches such as historical institutionalism solely focus on exogenous factors and structure, endogenous factors and agents may also form a reason to change according to the GCF (Mahoney & Thelen, 2010). Furthermore, we will extend this GCF by also addressing the causal impact of institutions themselves (Capoccia, 2016).

However, the GCF is not able to analyze the material structures from which agents outside of the institutions emanate from or to put it differently, where these exogenous factors come from. Combining the GCF with CPE elements adds explanatory power, because according to CPE, power asymmetries are traced back to the underlying material structures of global capitalism (van Apeldoorn, Bruff & Ryner, 2010). The way in which production and consumption in the world are organized, or in other words, economic power is organized determines the balance of power (van Apeldoorn & Horn, 2019). Adding this element to the GCF is possible, because the GCF also acknowledges the importance of the shift in the balance of power in relation to an unequal distribution of resources (i.e. economic power) in explaining institutional change (Mahoney & Thelen, 2010; Streeck & Thelen, 2005). By incorporating this element, our theoretical approach is able to explain how exogenous factors are able to influence a shift in the balance of power, namely via economic power.

By employing a variety of method such as process-tracing, semi-structured interviews, joined with document analysis, this thesis will trace the origins and causes of the paradigm shift towards using competition control again as a way to protect and promote EU industries. The present thesis will argue that a paradigm shift is evident in EU industrial policy, revealing the importance of endogenous processes within the institution (changed German standpoints), as well as exogenous processes (the economic rise of China) in explaining institutional change which led to the paradigm shift. The Covid-19 pandemic heavily influenced the proposal to regulate the distortive effect of foreign subsidies.

This research is structured in the following way: Chapter 2 elaborates the employed theoretical approach. Chapter 3 clarifies the methods and operationalization, Chapter 4 entails the analysis. Chapter 5 addresses possible limitations of this study, suggests avenues for further research, and draws a conclusion.

2: Theoretical approaches

During the era of 'embedded liberalism', stretching roughly from the 1950s to the 1970s, the national and supranational level industrial field was already, to some extent, integrated (Buch-Hansen & Wigger, 2010). This ongoing change at the supranational level such as the new proposed instrument by the Commission to tackle foreign subsidies, reflects the European integration process. Therefore, we must consider the main European integration theories liberal intergovernmentalism and neofunctionalism in the context of this thesis. After that, we will discuss the more established theoretical approaches, namely social constructivism and the new institutionalisms. After critiquing their strengths and weaknesses, historical institutionalism will be extensively discussed, showing the particular suitability of the GCF within historical institutionalism in explaining the paradigm shift towards an EU industrial policy based on actively promoting and protecting European industries (Pollack, 2009).

2.1: European integration theories and social constructivism

Ernst Haas (1924-2003) can be seen as the founder of the theory of neofunctionalism. In his book *The Uniting of Europe,* he sought to develop a grand theory of regional integration which could explain regional cooperation across the world, such as the transition from the European Steal and Coal Community (ESCS) into the European Economic Community (EEC) (McCormick, 2015; Niemann & Schmitter, 2009). Haas argued that if two or more states would want to cooperate in a particular field, and would create a regional organization to oversee this, the benefits would not be felt until cooperation had 'spilled over' towards other areas of activity (Jensen, 2004; Lindberg, 1963). Governments would find themselves obliged to transfer more authority towards regional organizations, because the expectations of citizens would shift increasingly to the region, thereby creating the likelihood that this integration would lead to political integration at the supranational level (McCormick, 2015). According to Haas, this would create an ever-ongoing integration due to the process of these spillovers (Haas, 1958).

A strength of this neofunctionalist approach is the emphasis on supranational institutions, interest groups and political parties in pushing further integration and not only looking at states when explaining European integration (McCormick, 2015; Jensen, 2004). However, this strength is also a weakness at the same time, because with the focus on supranational institutions, neofunctionalism is unable to explain the role of governments in the process of European integration and how preferences of supranational agents would lead to actual political action (McCormick, 2015; Niemann & Schmitter, 2009). After 1970, Haas also lost faith in his own theory, because it lacked strong predictive probabilities and was lacking a solid theoretical base (Jensen, 2004; McCormick, 2015). Particularly in the 1970s, as part of the Great Stagflation crisis, the prediction of a gradual intensification of European integration, did not take place (Jensen, 2004). By focusing on an ever-ongoing integration process, neofunctionalism was also not only unable to explain European disintegration, but also paradigm shifts, in particularly the neoliberalisation of EU policies from the mid-1980 onwards. Therefore, neofunctionalism will not be employed to address paradigm shifts in the field of EU industrial policy.

Intergovernmentalism emerged to fill the gap by neofunctionalist and concentrated foremost on states as rational utility-maximizing entities and on the influence of interest groups within dominant member states as drivers of major changes that are subsequently articulated in intergovernmental settings (Moravcsik & Schimmelfennig, 2009). By focusing on the representatives of national member states who pursue state interests, intergovernmentalism stood in marked contrast with the supranationalism of neofunctionalists (McCormick, 2015; Cini, 2010). An attempt to combine intergovernmentalism and supranationalism led to the development of liberal intergovernmentalism, associated mainly with Andrew Moravcsik (Moravcsik, 1993). According to this approach, the representatives of national member states are part of a two-level game in which they become influenced by pressures from domestic politics and national preferences, while giving voice to those preferences in international negotiations (Moravcsik, 1993). By doing so, the representatives of national member states act rational (Moravcsik & Schimmelfennig, 2009). Addressing the influence of domestic social groups on international outcomes can be seen as a strength of liberal intergovernmentalism, but the emphasis on the rationality of actors leaves little space to focus on the ideational and material basis in which the interests of actors are situated (Moravcsik, 1993; Moravcsik & Schimmelfennig, 2009). This makes it difficult for liberal intergovernmentalism to explain where structural change originates from or where the motivations of, for instance, the shift in EU industrial policy, comes from. Simply put, they do not theorize paradigm shifts which also makes liberal intergovernmentalism unapplicable.

Social constructivism entered the field in the late 1990s as a response to the debate between neofunctionalism and liberal intergovernmentalism (Risse, 2009). Social constructivism brought the ideational factor into the debate, which was previously ignored (Saurugger, 2014). Central to social constructivism is so-called contextualization, which rejects the idea that individuals act in a rational, optimizing way (Saurugger, 2014). In contrast to rationalism, social constructivist tends to see individuals as social agents, and focus on culture and shared meanings (Risse, 2009; Saurugger, 2014). Another advantage of social constructivism is the mutual constitutiveness of agents and structures, which means that social constructivism argues that our social norms define who we are and these social norms are constructed and redefined by interaction with others (Wendt, 1999; Risse, 2009; Saurugger, 2014). By emphasizing this mutual constitutiveness, social constructivism rejects the agency-centeredness of neofunctionalism and liberal intergovernmentalism. Moreover, social constructivism acknowledges that interests should not be seen as stable phenomena: they can shift over time (Saurugger, 2014). Although this is particularly useful when explaining paradigm shifts, social constructivism also holds important disadvantages: power and authority considerations are absent in constructivist perspectives and the approach lacks explanatory power (Saurugger, 2014; Bieler & Morton, 2008).

2.2: The new 'institutionalist' approaches

The three primary 'institutionalisms', rational choice institutionalism, historical institutionalism and sociological institutionalism were developed during the 1980s and 1990s (Pollack, 2009; Hall & Taylor, 1996). These primary 'institutionalisms' all had a distinct definition of institutions, and how these influenced how to study politics (Pollack, 2009; Hall & Taylor, 1996). Nevertheless, all these approaches were developed on the common ground that we should acknowledge that institutions are important (Saurugger, 2014; Rosamond, 2010). They also emphasized that organizational forms of relations do have an influence on agent's strategies and interests (Saurugger, 2014).

Rational choice institutionalism was the first new institutionalist approach which emerged, closely situated to Moravcsik's liberal intergovernmentalism (Pollack, 2009; Rosamond, 2010). This approach also emphasized the idea that humans are self-seeking and behave rationally while also concentrating on institutions because they act as intervening variables (Rosamond, 2010). In other words, institutions are able to influence how actors pursue their interests. This led to the development of rational choice models such as principal-agent models and transaction-cost models who wanted to explain why state actors delegated authority to institutions (Saurugger, 2014; Pollack, 2009). However, when confronted with institutional change, rational choice institutionalist had a narrow scope by mainly focusing on exogenous events when explaining changes in institutions (Mahoney & Thelen, 2010). Moreover, their focus on formal rules led rational choice institutionalists to ignore various informal processes, and precisely these endogenous informal processes fuel the explanatory power of a theoretical approach when explaining paradigm changes.

Another new institutionalist approach, sociological institutionalism, was closely bound up with the social constructivist turn in international and European studies (Rosamond, 2010). It focuses on the norms, values and culture of institutions and the way in which these shape policy (McCormick, 2015). Not surprisingly, it rejects the rationalistic trend in the other new institutionalist approaches (Rosamond, 2010). Sociological institutionalism operates also on the basis of a distinct ontology (Rosamond, 2010). While rational choice institutionalist and historical institutionalist observe interests as exogenous to interaction, sociological institutionalist argues that the origins of human interests should be found in the interaction between actors (Rosamond, 2010). An important concept within the sociological institutionalist literature is isomorphism (Saurugger 2014, Mahoney & Thelen, 2010). This concept entails the tendency of institutions to imitate each other and argues that institutions are relatively inert, they tend to resist change (Saurugger, 2014; Mahoney & Thelen, 2010). So, while sociological institutionalism is well-suited to explain continuity, the mechanisms in sociological institutionalism are also not able to identify possible sources for endogenous change (Mahoney & Thelen, 2010). That is why they tend to explain transformation and institutional change by pointing, just like rational choice institutionalism, only at an exogenous force or entity (Mahoney & Thelen, 2010). This also leaves little space for endogenous factors in explaining institutional change, which is needed to increase the explanatory power of a theoretical approach.

Finally, the historical institutionalist approach should be discussed, not least of all, because historical institutionalism has greatly shaped the debate about paradigm shifts, especially by the work of Hall (1993), who defined paradigms as an interpretive "framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing" (Hall, 1993, p. 279). Historical institutionalist took up a position between sociological institutionalism and rational choice institutionalism, and were mainly interested in how institutional choices have long-term effects (e.g.: Thelen, 1999; Pierson, 2000). According to historical institutionalist, institutions are assigned for particular purposes in a particular set of circumstances (Rosamond, 2010). While other approaches tend to forget the historical legacies of institutions, historical institutionalists argue that institutional choices and patterns taken in the past can persist, may become 'locked in' and ongoing (Rosamond, 2010; Pollack, 2009). These patterns and institutional choices are thus able to influence actors that arise way later in time than their creators (Pollack, 2009). Furthermore, in contrast to liberal intergovernmentalism, historical institutionalists also take power and authority considerations into account (Saurugger, 2014). They focus on asymmetric power relations and acknowledge that actors have unequal resources leading to the situation where some actors are more able to influence policy outcomes than others (Saurugger, 2014). This focus on policy outcomes forces the historical institutionalists to take the ideational realm into account (Sanders, 2006). That is, historical institutionalist recognize that ideas can serve as a mobilizing force for collective action of groups who want to change institutions (Sanders, 2006). In addition, historical institutionalist also address the institutional constraints policy entrepreneurs face when trying to stimulate change (Sanders, 2006). These institutional constraints reflect the 'stickiness' of institutions, namely, institutions tend to resist change (Pollack, 2009). As a consequence, a so-called 'path-dependent' logic may set in where policy entrepreneurs are having difficulties in pushing change and redesigning institutions while being confronted with institutional agendas that are locked in (Rosamond, 2010).

The best presentation of this historical institutionalist concept was illustrated by Pierson (2000), who suggested that policies and institutions are characterized by 'positive feedbacks'. These policies and institutions generate incentives to stick with and not abandon the current practices within the institutions (Pollack, 2009). Thus, historical institutionalists are also better able to explain the stability and continuity of institutions due to path dependency, while they are experiencing more difficulties when explaining the more gradual evolution of institutions such as paradigm shifts (Mahoney & Thelen, 2010; Steinmo, 2008). In the literature on institutional change, historical institutionalists namely also concentrate on exogenous shocks as the only source that can bring radical institutional change (Mahoney & Thelen, 2010). Historical institutionalists such as Hall (1993) argue that paradigm shifts will only occur during so-called critical junctures, events that disrupt an existing institutional equilibrium (Baker, 2013; Mahoney & Thelen, 2010). It are these rare critical moments where the current institutional structure is not able to constrain change anymore, and the old debate between agency and structure is settled in favor of agency (Streeck & Thelen, 2005; Katznelson, 2003). During such an event, ''third order changes'', meaning radical changes associated with paradigm shifts, may happen (Hall, 1993). However, the origins of this exogenous shock remain unexplained, and more importantly this approach solely focus on exogenous, radical changes, while they tend to forget that political institutions are not only periodically contested, but can also be encountered by endogenous incremental processes which could lay a foundation for institutional changes such as paradigm shifts (Mahoney & Thelen, 2010; Streeck & Thelen, 2005).

In short, historical institutionalism deals with the material and the ideational realm by acknowledging the importance of asymmetric power relations and the role of ideas in causing institutional change. Furthermore, this approach looks beyond a sole game with interaction of preference-holding, utility-seeking individuals within a set of institutional constraints in one particular moment in time. These are promising features to discuss a paradigm shift, but the historical institutionalist approach is also trapped within the old agency-structure debate, because they only attribute value to agency whenever an exogenous event (critical juncture) may take place. Thereby, they only use exogenous events as explanatory factors for paradigm shifts. In the upcoming section, I will demonstrate that the GCF within the second-generation historical institutionalist literature is able to explain institutional changes without a sole focus on exogenous events, thereby also taking endogenous process into account (Pollack, 2009).

2.3: Gradual Change Framework

The new institutionalist approaches above concentrate only on exogenous events such as political or economic crises when explaining discontinuous, abrupt institutional change (critical junctures), or they focus on path-dependent continuous incremental change within an institution (Streeck & Thelen, 2005). However, once created, institutions often change in gradual, but still discontinuous subtle ways over time (Mahoney & Thelen, 2010; Streeck & Thelen, 2005). Endogenous incremental developments within institutions are only seen *as* change when a longer period of time, as with the historical institutionalist approach, is taken into account (Mahoney & Thelen, 2010). The focus of the new institutionalist approaches thus tends to fall back on a discontinuous model of change where the punctuated equilibrium of institutions is shaken when agents break the historical pathways defended by institutional constraints (Mahoney & Thelen, 2010). This narrow view on the agency-structure debate overlooks the role of both agency and structure in influencing gradual institutional change. In other words, they do not matter sequentially and political institutions are not only contested by agents in periods of exogenous events. On the contrary, institutions are continuously encountered by agents interpreting and redirecting institutions in pursue of their interests while dealing with the context of existing opportunities and constraints (Mahoney & Thelen, 2010; Streeck & Thelen, 2005; Deeg, 2005).

The GCF is able to address both endogenous and exogenous sources of change and includes both the role of agency and structure in analyzing institutional changes. The GCF builds on historical institutionalism by taking power and authority considerations into account (Saurugger, 2014; Mahoney & Thelen, 2010). The GCF focus on asymmetric power relations within institutions and also acknowledges that agents have unequal resources leading to the situation where an unequal representation of resources, and thus outcomes, is established (Saurugger, 2014; Mahoney & Thelen, 2010). At the core, the GCF thus conceives institutions as distributional instruments with power implications (Mahoney & Thelen, 2010). This assumption entails that agents within an institution are constantly in a struggle about certain rules, policies or expectations which could have unequal advantages for some agents (Mahoney & Thelen, 2010). The power of one group of agents may become so big that they are able to define institutional arrangements that come as close as possible towards their institutional preferences (Mahoney & Thelen, 2010). There is a dynamic component within these institutions, because some groups will strive for change because they do not agree with the current status, while others want to maintain the status-quo. For both situations this requires an ongoing mobilization of political resources (Mahoney & Thelen, 2010). Therefore, a shift in the balance of power together with unequal economic resources is an important source which could lead to institutional change (Mahoney & Thelen, 2010). This shift could happen, because a change in the contextual conditions reshuffles economic power relations (exogenously), or because distributional effects trigger other agents to unite for their interests (endogenously) (Mahoney & Thelen, 2010).

Another important component which drives institutional change is non-compliance (Mahoney & Thelen, 2010). Namely, non-compliance is crucial for the stability or change of institutions, because due to a degree of openness in the interpretation and enforcement of rules, institutional actors can act differently and exploit the gaps between the rule and enforcement or interpretation of the rule (Mahoney & Thelen, 2010). Although rules are formally codified, their guiding expectations often remain ambiguous and always are subject to interpretation, debate, and contestation (Mahoney & Thelen, 2010). In many cases, there is simply a great deal of "play" in the interpreted meaning of particular rules (Mahoney & Thelen, 2010). In short, we propose that the basic properties of institutions contain possibilities within them for change (Mahoney & Thelen, 2010). What animates change is the power-distributional implications of institutions (Mahoney & Thelen, 2010).

The issue of non-compliance and balance of power shifts constitute the core of explaining institutional change in the GCF (Mahoney & Thelen, 2010; Capoccia, 2016; Saurugger, 2014). In the upcoming section, I will elaborate on the endogenous and exogenous sources which are able to cause a shift in the balance of power and creating space to act in a noncompliant way regarding institutional rules. These micro-foundational processes which influence institutions are important in explaining gradual institutional change, but the GCF lacks theorization and implicitly assumes that institutions will undergo whatever type of institutional change when confronted with non-compliance and a shift in the balance of power (Capoccia, 2016). Of course, this is not the case, and the causal impact of institutions themselves on political outcomes also needs to be addressed to accurately understanding how institutional change was established. Therefore, I will show that the power over the timing of reform within institutional and policy configurations could be able to block institutional change (Capoccia, 2016).

2.3.1: Shift in the balance of power

If we look at the environmental, exogenous conditions that could lead to a shift in the balance of power, several scholars have argued that moments of institutional change are likely to be preceded by a political or economic crisis (critical juncture) or large-scale developments such as secularization or digitalization (Wigger & Buch-Hansen, 2014; Koning, 2016). However, our main focus will, by incorporating CPE elements about the underlying material structures of global capitalism, lay on economic power. The change in economic power outside the institutional environment will lead to a shift in the balance of power, and thus this exogenous source will influence the likelihood of institutional change (Koning, 2016; van Apeldoorn & Horn, 2019). In conclusion, regarding the exogenous source influencing the shift in the balance of power, we will develop the following hypothesis:

H1: Institutional change occurs if a change in contextual economic power conditions outside the institution will lead to a shift in the balance of power.

On the other hand, a shift in the balance of power can also occur through endogenous factors. This can occur if the over-time distributional effects of institutions trigger coalitions among institutional power holders (Mahoney & Thelen, 2010). If existing institutional arrangements do not serve the material interests of some social forces within the institution, coalitions can shift the balance of power favoring a new perspective on these institutional arrangements. Change can thus occur if institutions disadvantaged institutional power holders come to the point that they organize and come to identity with one another, thereby increasing their power and capacity to break prevailing institutional arrangements (Mahoney & Thelen, 2010). This leads to our second hypothesis:

H2: Institutional change occurs if a change in over-time distributional material effects trigger coalitions among institutional power holders which will lead to a shift in the balance of power within the institution.

However, not every cooperation of social forces will be able to break prevailing institutional arrangements: only those with an alternative framework of regulatory ideas will be able to influence institutional arrangements (Wigger & Buch-Hansen, 2014). This alternative framework needs to consists of ideas beyond their narrow material interests and produce social cohesion on the basis of an universal social vision or ideology (Robinson, 2005; Sanders, 2006). It is important to articulate ideas which also appeal to the interests of other agents, thereby increasing the likelihood that institutional power holders can make it an attractive alternative. Therefore, we develop the following sub-hypothesis about the importance of an alternative framework of ideas and ideology:

H2A: Institutional change via coalitions only occurs if a cooperation of social forces have a distinct regulatory framework based on new ideas and a different ideology.

While this distinct social vision or ideology increases the chances of forming a new coalition of social forces and persuading the Member State to follow their alternative framework, the institution could still be insusceptible for these new ideas and solutions (Capoccia, 2016). Whether or not the new coalition of institutional power holders with a distinct set of ideas and ideology is able to successfully sustain a coalition for change depends on the control of the timing of the institutional reform agenda (Capoccia, 2016; Mahoney & Thelen, 2010). When institutional power holders are able to use their power to prevent the formation of an alternative framework, pro-reform coalitions will be forced to delay or even stop transformative change (Capoccia, 2016).

One way for institutional power holders to use their power to prevent or disrupt pro-reform coalitions is to consider the agenda setting power, in particular the power to control the agenda of institutional reform (Pierson, 2015; Capoccia, 2016). If power over the agenda is obtained, coalitional engineering can be delayed, obstructed or prevented. When this happens, institutional power holders are likely to be in a position to preserve the institutional status quo. When advocating for institutional reform, timing is particularly relevant for reformers who strive to meet their goals (Capoccia, 2016). Therefore, if institutional power holders maneuver in a position to be able to control the timing of decision making on institutional reform, they are more likely to preserve the institutional status quo. This is based on the assumption that it will be easier to defend the status quo when the issue of reform has low salience among institutional power holders (Capoccia, 2016). Different options such as delaying action until the salience of reform among pro-reform coalitions is again low, so at which point they are able to either adopt minor changes or shelve reform altogether, are possible (Capoccia, 2016). Therefore, we develop our second sub hypothesis about the importance of control over the timing of institutional reform when assessing the likelihood of institutional change via coalitions.

H2B: Institutional change via coalitions only occurs if control over the timing of institutional reform is kept out of the hands institutional power holders who want to maintain the status quo.

2.3.2: Non-compliance

Next to the shift in the balance of power, the gap between the letter and the actual meaning of formal rules can lead to endogenous institutional change (Mahoney & Thelen, 2010). The presence of these gaps related to what a rule says and how it is applied allows processes of rule defection and reinterpretation that lead to gradual institutional change over the long run (Streeck & Thelen, 2005; Mahoney & Thelen, 2010). Several factors contribute to the discrepancy between what a rule says and how it is applied, and the possibility of acting in a noncompliant way. First of all, compliance can be difficult, because rules do not fit with the complexities of the real-world (Mahoney & Thelen, 2010). This can bring agents to exploit the openness (Mahoney & Thelen, 2010). Secondly, cognitive limits of agents themselves can induce situations where the rules are not properly applied (Mahoney & Thelen, 2010). In other words, agents can face information processing limitations: moments can arise where agents are not able to anticipate on all future situations (Mahoney & Thelen, 2010). Thirdly, institutions are ''always embedded in assumptions that are often implicit'' (Mahoney & Thelen, 2010, p. 13). In the absence of shared meanings of the established rules, some agents could be able to systemically undermine institutional rules (Mahoney & Thelen, 2010). Finally, there is the gap between the rule and enforcements of the institutional rules, which can open up space for non-compliance (Mahoney & Thelen, 2010). Enforcers of rules (e.g. bureaucrats) must decide when and how rules are implemented, which again leaves space open for non-compliance (Mahoney & Thelen, 2010). These four factors can lead to non-compliance and eventually endogenous institutional change, and are fueled by the power-distributional implications of institutions (Mahoney & Thelen, 2010; Capoccia, 2016). This leads to our third main hypothesis:

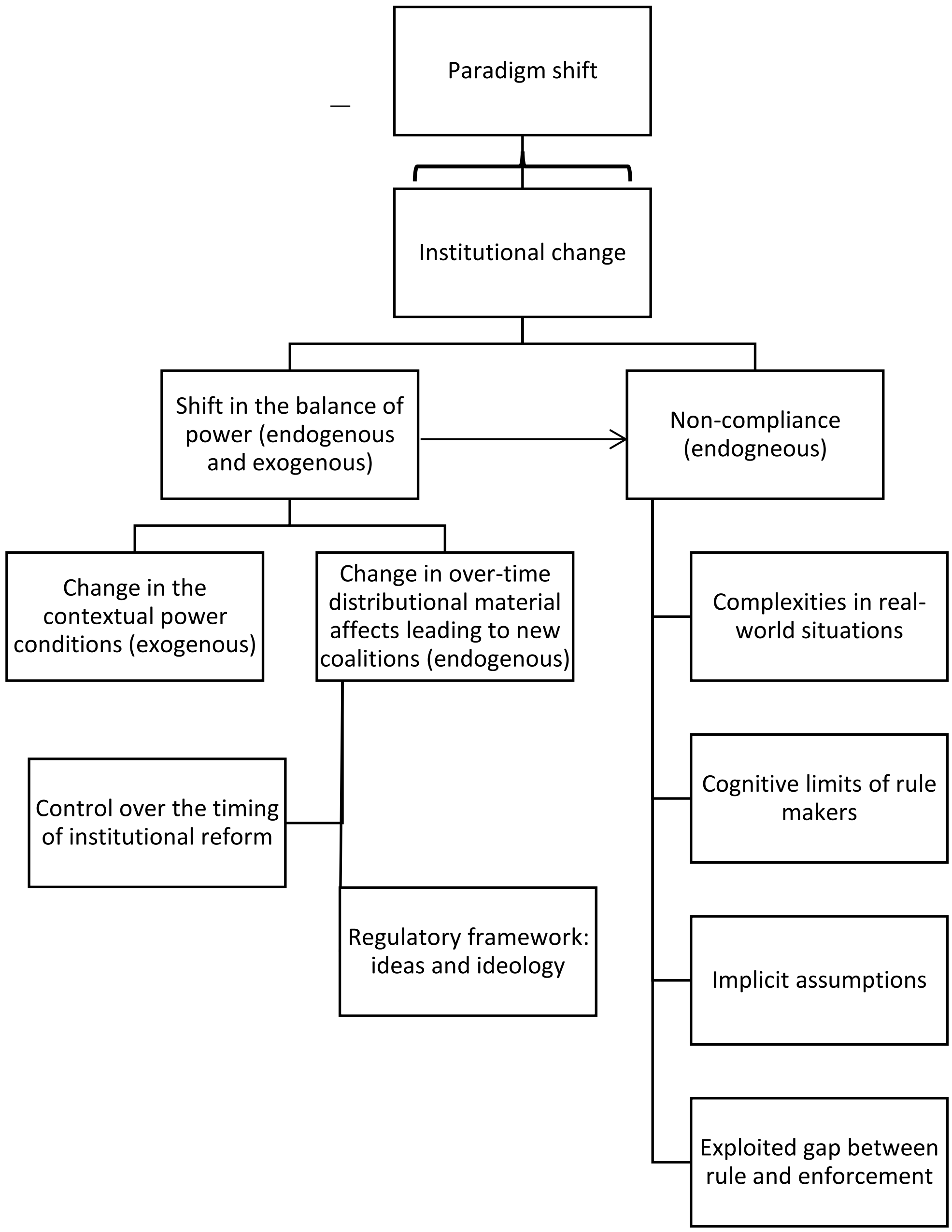
H3: Institutional change occurs if the gap between what a rule says and how it is applied (non-compliance) is exploited by institutional power holders.

2.4: Summary

To wrap up, institutional change in the field of EU industrial policy can happen due to a shift in the balance of power via a change in the contextual economic power conditions (exogenously) or if a change in over-time distributional material effects trigger coalitions among institutional power holders (endogenously). These coalition dynamics aiming for institutional change can only succeed if a cooperation of institutional power holders has a distinct regulatory framework based on new ideas/ideology and control over the timing of institutional reform is kept out of the hands institutional power holders who want to maintain the status quo. Next, endogenous institutional change can also occur if the gap between what a rule says and how it is applied (non-compliance) is exploited by institutional power holders.

Our theoretical framework is depicted in Figure 1 and gives an overview of all the causal mechanisms which can lead to institutional change, and eventually the paradigm shift towards using competition control again as an industrial policy to protect and promote EU industries against foreign competitors in the fields of state aid, antitrust and foreign subsidies. The upcoming methodological chapter will clarify how the causal mechanisms will be explored during the analysis.

Figure 1: Gradual Change Framework



3: Methodology and operationalization

Adopting a historical institutionalist theoretical approach such as the GCF forces us to be committed to explore how the timing and sequence of historical events have impacted real-world outcomes in state aid, antitrust and foreign subsidies (Fioretos, Falleti., & Scheingate, 2016; Steinmo, 2008). Therefore, we will favor a research design that covers relatively long time periods and that would ensure that proper attention is given to the complex interaction and contextual effects that produces changes in these different institutional rules across time and space (Fioretos et al., 2016). This makes us methodologically committed to in-depth empirical data collection (Fioretos et al., 2016; Steinmo, 2008).

3.1: Historical process-tracing

Because historical institutionalists examine causal conditions with multiple points over time, historical process-tracing is well suited to allow us to test the arrow of causality in a way in which simple correlation analysis cannot (Mahoney, Mohamedali., & Nguyen, 2016; Steinmo, 2008). Process tracing allows the researcher to keep track of the temporal boundaries or period effects, with respect to the causal claims (Vennesson, 2008). Concretely this means that process-tracing is able to identify the intervening causal process between the independent variables such as non-compliance and the outcome of the dependent variable (institutional change) (Beach & Pedersen, 2013; Checkel, 2008; Bennett & Checkel, 2015; Beach, 2016). Using this method will enable us to make strong within-case causal inferences about the endogenous and exogenous properties that led to the paradigm shift in EU industrial policy. There are several types of process-tracing, and explaining-outcome process-tracing is the most suitable option for this thesis, because this case-centric approach acknowledges the complexity and context-specificity of the social world and puts the historical case at the center (Beach & Pedersen, 2013). Furthermore, it serves the historical institutionalist approach the best, because methodologies that acknowledge the rarity and complexity of multiple mechanisms that can lead to the explained-outcome are more suited in this regard than simple theory-testing approaches of process-tracing molded in pre-defined, demarcated hypotheses. In contrast to theory-testing approaches, explaining-outcome process tracing, which will first be used via the deductive path, still leaves space open for incorporating nonsystematic parts (explanations outside the current theoretical framework) into an explanation to account for the outcome (Beach & Pedersen, 2013). So even after testing hypotheses on our three subfields (antitrust, state aid and foreign subsidies), this process-tracing type leaves space to add other elements which increase the explanatory power of our thesis. Sometimes this is not needed, because eventually, explaining-outcome process-tracing attempts to craft a minimally sufficient explanation of a puzzling outcome. Sufficient explanations have been found ''when it can be substantiated that there are no important aspects of the outcome for which the explanation does not account'' (Beach & Pedersen, 2013, p. 67). To find them, it is also important to identify and disentangle between necessary and sufficient conditions of the causal mechanisms when explaining institutional change (Beach & Pedersen, 2013).

Next, it is important to define the starting point of our historical institutionalist analysis (Falleti & Lynch, 2001; Lieberman, 2001). A reasonable starting point for our analysis could be a critical juncture, such as the financial crisis of 2007-2009 (de Haan et al., 2015; Bennett & Checkel, 2015). Therefore, we will use 2010 as a starting-point. However, because the gradual embrace of EU industrial policy intensified in Europe during the second half of the 2010s, our main focus will lay on these range of years.

Regarding ontology, process-tracing is often closely tied towards a mechanistic understanding of causality (Beach & Pedersen, 2013). The focus in mechanistic understandings of causality lays on the dynamic, interactive influence of causes on outcomes and aligns perfectly with the historical institutionalist approach which ''emphasizes the interaction between features of the political context and properties of the institutions themselves as crucially important for explaining institutional change'' (Mahoney & Thelen, 2010, p. 31). Moreover, the mechanistic understanding focus particularly on how causal forces are transmitted through the series of interlocking parts of a causal mechanism which contribute to producing an outcome (Bennett, 2008; Beach & Pedersen, 2013). In short, the mechanistic understanding implies the opening of ''the black box of causality as much as possible'' (Beach & Pedersen, 2013, p. 39). It is important to note that these causal mechanisms are more than just a series of intervening variables: process tracing is about the analysis of evidence on the processes, sequences and conjunctures of events within a case (Bennett & Checkel, 2015). Although a causal mechanism can be present in complete form, or absent at all, the causal mechanisms in explaining-outcome process tracing are often considered a loose mix of systematic and nonsystematic parts that together account for a particular outcome (Beach & Pedersen, 2013).

3.1.1: Sources and type of data

Four distinguishable types of evidence are relevant in process-tracing analysis: pattern, sequence, trace, and account (Beach & Pedersen, 2013). Regarding the nature of our theoretical framework, we will specifically focus on sequence and trace evidence. Sequence evidence deals with the temporal and spatial chronology of events predicted by a hypothesized causal mechanism, thus aligning closely with our historical institutionalist framework (Beach & Pedersen, 2013; Fioretos, 2011). Trace evidence is evidence whose mere existence provides proof that a part of a hypothesized mechanism exists, and can thus be used complementary to sequence evidence (Beach, 2016).

To remedy selection bias, multiple independent observations can be used from, for instance, multiple data sources such as interviews and documents. This approach is commonly identified as triangulation and will also be used in this thesis (Bennett & Checkel, 2015).

Semi-structured interviews

We have conducted semi-structured interviews with two civil servants from DG COMP, more specifically from the State Aid case support and policy (Interview, 2021a) and Taskforce Third Country Subsidies (Interview, 2021b). Unfortunately, we were not able to plan an interview with a civil servant working on antitrust policies. With our semi-structured interviews, which are commonly used next to process-tracing, we seek to gather information about the steps that led to institutional change in especially state aid and foreign subsidies. Civil servants from the DG COMP are able to provide sequence evidence: information about the sequence of events that took place in a process (Beach & Pedersen, 2013). This is especially helpful in trying to establish causal mechanisms which occurred over a longer period of time as we will try to discover with the paradigm shift in EU industrial policy. Therefore, our interviews are structured in a chronological order as can be seen in Appendix 1. Their expertise has been helpful in answering our research question, although they judged EU competition policy more from an a-political, judicial perspective when observing institutional change in these subfields. The information extracted from the interviews is processed anonymously at the request of the interviewees.

Documents

Secondly, process-tracing also enables us to use a broad range of documents (e.g.: manifests, position papers, council conclusions, reports, press releases, newspapers, non-papers) produced by the Council, European Council, European Parliament, European Commission or Member States that describe what took place behind closed doors. For instance, non-papers published by governments could show the stances of several institutional actors when confronted with proposals from agents striving for institutional change. These sources are also especially helpful in tracing sequence evidence (Beach & Pedersen, 2013). Another type of document which will be used are newspaper articles, which could provide observations which we are intend to measure. Especially articles from Brussel based newspapers like *Politico Europe* and *Euractiv* can give further insight in what took place behind closed doors.

Together the use of interviews and documents leads us to examine whether the causal processes of the GCF can be observed in the processes, sequences, and conjunctures of events within our case. Process tracing backed up by document analysis and semi-structured interviews will form an explanatory narrative, aimed at understanding the meaning and role of causal mechanisms, and can help to suggest ways to uncover previously unknown relations between endogenous and exogenous processes. The value of evidence derived from these multiple sources does not contain value for other cases, because they are all unique to the sample. Moreover, the value of evidence lies not in the amount of presented evidence, but in the quality of the presented evidence for this case, and whether or not it is able to demonstrate sufficient explanations for our causal mechanisms.

3.1.2: Critiques

Nevertheless, some critiques could be formulated against using documents and interviews as data sources. First of all, we should be aware that conducting semi-structured interviews has several disadvantages (Bleijenbergh, 2013). An important disadvantage could be that the direction of the interview is way too focused, leading to a lack of important information (Bleijenbergh, 2013). Furthermore, because we seek to find sequence evidence, the respondents could have forgotten several events which led to policy outcomes. To minimalize the forgetting of these events, I discuss events that led to institutional changes in state aid and foreign subsidies in a chronological order.

Secondly, because we use all kind of documents from public authorities such as the Commission, we need to be aware of the potential pitfalls this brings along. The Commission puts much effort in acting transparent and accountable, but still acts via 'transparency by choice' which makes us dependent on the willingness of the Commission to disclose its meetings. Moreover, experts committees which are very often consulted by the Commission, give the Commission the opportunity to claim that their policy choices are based on 'expertise' (Wigger & Buch-Hansen, 2015). Next to that, we should be cautious interpreting the Commission's green and white papers. Before publishing them, they consult several interested parties to provide input. While these consultation procedures uphold the illusion that a plurality of agents can exert influence, the Commission is not obliged to argue why some agents were not represented (Wigger & Buch-Hansen, 2015).

3.3: Operationalization

Our paper is situated on the nexus between competition- and industrial policy. Whereas, competition policy received a strong constitutional status in the 1957 Treaty of Rome, Article 173 of TFEU does not confer direct powers to the Commission in the industrial policy field (Wigger & Buch-Hansen, 2014; Robert Schuman Foundation, 2020). This is strange, because the European Coal and Steel Community (1952) definitely has industrial roots. In light of these treaty articles, industrial policy is most of the time a subordinate of competition policy (Robert Schuman Foundation, 2020). Nevertheless, the European Economic Community (EEC), created in 1952, aimed to merge the economies of the Member States through a process of integration by monitoring very closely the way in which European States could hinder the free movement of goods, services and capital (Robert Schuman Foundation, 2020). Both policy fields contributed a lot to this European integration. Industrial policy for its part, focused on strengthening European industrial power and making it easier to set up European companies (Robert Schuman Foundation, 2020). On the other hand, competition policy ensures the establishment of a common market among the Member States (Robert Schuman Foundation, 2020).

In this respect, we will trace the institutional agents that have contributed to industrial and competition policy to uncover causal mechanisms developed in our theoretical framework section. The European institutional agents that have been selected to investigate how institutional change has been established in EU industrial policy are: European Commission, European Council/Council of the European Union, European Parliament, Interest groups and individual Member States governments representatives.

3.3.1: Institutional agents

European Commission

Competition policy can be characterized as the most supranational of all EU policies and acts as a flagship for the EU (Wigger & Buch-Hansen, 2017). Unlike in many other policy areas where there are shared competences with member states, the European Commission is legislator, investigator, judge, jury, executioner- all in one (Wigger & Buch-Hansen, 2015). The Council of the European Union and the European Parliament have little to say in this respect, and the Competition Commissioners are representatives of the powerful Commission's DG COMP, one of the most respected and powerful DG's within the Commission (Wigger & Buch-Hansen, 2014). The DG has become one of the most well-known DG's (also helped by the media) and pursues high-profile antitrust cases against Amazon, Google and recently again Apple (European Commission, 2021a). Because DG COMP experiences relative strong discretionary powers and strength, it is an important agent in driving or opposing institutional change (Wigger & Buch-Hansen, 2014).

European Council/Council of the European Union

Secondly, it is important to discuss the European Council which consists of the heads of government of Member States, the President of the European Commission and the President of the European Council [1]. The other council, the Council of the European Union (hereafter: Council) is also an important entity, which consists of national government ministers. While the Council together with the European Parliament exercises the legislative proceedings, the European Council does not have legislative powers, but is responsible for making key strategic decisions. In its 'Council conclusions', the European Council can call upon the Commission, for example, to propose legislation or to welcome an initiative by the Commission. In this way it drives the EU agenda, and the European Council has multiple times done so. For instance, by welcoming initiatives to address foreign subsidies (European Council, 2016; 2017), to boost the implementation of IPCEIs (European Council, 2019) or their call for an ambitious European industrial strategy in October 2020 (European Council, n.d.).

On the other hand, the Council is an important institutional setting to consider. Especially, the presidency of the Council which differs across member states for a period of six months, gives the national governments a key role in setting the EU agenda. With this presidency, national governments can thus identify policy priorities which unfolds in the ''Conclusions of the presidency'' and gives insight in the political stances of the presidency (European Council & Council of the European Union, n.d.). The priorities and programs of the presidency can thus reflect national

[1] Occasionally, the President of the European Parliament and the High Representative of the Union will join the meetings.

interests such as the commitment of the German presidency (2020-2) to launch a new IPCEI project on hydrogen or the Finnish presidency (2019-2) putting a long-term industrial strategy on the agenda (Bundesministeriums für Wirtschaft und Energie [BMWi], 2020; Meunier & Mickus, 2020).

European Parliament

Although the EP has multiple times called for the legislative procedure to be extended to competition law, it is usually involved only through the consultation procedure (European Parliament, n.d.). Nevertheless, the Parliament issues yearly resolutions on the Commission's Annual Report on Competition Policy (see e.g. European Parliament, 2020a), thereby providing policy input to the Commission (European Parliament, n.d.). Moreover, with resolutions derived from their own initiative reports (so-called INI's), the EP can request the EC to put forward a legislative proposal on a certain issue (EU Monitor, n.d.). So, although the Parliament's influence is limited compared to the Commission in competition policy, it is able to steer the Commission's policy with their resolutions and initiative reports.

Interest groups

Since more and more public policy is made at the level of the EU, more interest groups began to pay attention to European-level policy making, especially aimed on influencing the relevant DG's from the Commission. Traditionally, business groups have long been the most active and visible at the EU level (Dür & Mateo, 2016). One reason for this is the quick response from business groups to European integration, starting since the creation of the European Coal and Steel Community in 1951 (Wigger & Horn, 2021). Organizations such as Business Europe, the European Round Table of Industrialists (ERT) and the Alliance for Competitive European Industry (ACEI) all have left their mark on EU industrial and competition policy (Buch-Hansen & Wigger, 2010). For instance, organizations such as Business Europe are part of the Strategic Forum on IPCEIs which identifies eligible strategic value chains suited to function as an IPCEI, thereby influencing political decision making in the field of state aid.

Government representatives of the Member States

To conclude, we should touch upon the Member States. Of course, their interests and standpoints are represented in (during) the (presidency of the) Council and the European Council. Next to that, the member states are influenced by (national) interest groups, which effects the positions of member states (Meunier & Mickus, 2020). Besides the formal institutions (the Councils), member states can steer EU industrial policy towards a certain direction with position papers, non-papers and manifests. An example of this is the joint manifest of France and Germany calling for greater flexibility in EU merger control after the blocked merger between Astrom and Siemens (French Government, 2019).

3.3.2: Central concepts of the explanatory variables

Before turning to these concepts defined in our theoretical framework, it is important to define what we exactly mean with institutional change, because there exists a broad spectrum of different opinions about what to subscribe to the concept 'institution' (Hall, 1989; Streeck & Thelen, 2005; Mahoney & Thelen, 2010). Following the historical institutionalist tradition, this thesis mainly looks at 'formalized rules that may be enforced by calling upon a third party' (Streeck & Thelen, 2005, p. 10). The essential element in this definition is the fact that actors are expected to conform to these formalized rules, regardless of what they would want to do on their own (Streeck & Thelen, 2005). In this respect, the institutional rules developed in state aid, antitrust and foreign subsidies can definitely be seen as obligatory, with fines as a potential consequences. These institutional rules integrate in broader policies which are policies to the extent that they constitute rules for actors other than for the policymakers themselves, rules that can and need to be implemented and that are legitimate in that they will, if necessary, be enforced by agents acting on behalf of the society, such as the European Commission.

Moreover, it is important to note that the operationalization of our central concepts are focused on defining the concept itself (i.e. whether the concept is present or not), not on the full variation of the concept (Beach & Pedersen, 2013). This approach leads us to say that a concept such as the shift in the balance of power is present or not, putting aside the extent to which it is there. Secondly, our central concepts are operationalized and adapted towards our specific processes predicted in our particular cases (antitrust, state aid and foreign subsidies). This leads to more context-specific conceptual definitions than usually is the case with large-n analysis (Beach & Pedersen, 2013).

Shift in the balance of power

The shift in the balance of power which could be caused by endogenous properties or exogenous properties is the most important factor leading to institutional change next to non-compliance (**H1 & H2**). A shift in the balance of power happens when a situation emerges where one group of institutional power holders gains more power than a competing one (endogenously). This can be visible when, for instance, Member States change standpoints regarding industrial policy and join other coalitions of countries in striving for institutional change. On the other hand, a shift in the balance of power can happen because of a change in economic power conditions in global perspective (exogenously), measured by the overall size of the economy (GDP) of an upcoming global power. If a certain economy is becoming an economic superpower, than we can speak of a change in the contextual economic power conditions, especially when this economy behaves assertively (in an economic way) towards the rest of the world.

Non-compliance

According to our GCF, non-compliance is another important explanatory factor which could lead to institutional change (**H3**). In essence, non-compliance means that the gap between the letter and the actual meaning of formal rules are exploited by institutional power holders. Empirically, this can for instance be observed when Member States ask the Commission to enforce or not to enforce certain regulations via non-papers, the media or letters to the Commission or particular Commissioners.

Distinct regulatory framework

Only when a distinct regulatory framework is presented by social forces or institutional power holders, a shift in the balance of power occurs **(H2A).** This distinct regulatory framework needs to consists of ideas which are broader than simply their own material interests, thus also based on an ideology or social vision that is able to incorporate the interests of other groups. Empirically, this means that the alternative framework needs to consist of a catchphrase which convinces a variety of allies, not only institutional power holders which are aimed at protecting their self-interests (e.g. business interests), but aimed at a broader appeal.

The timing of institutional reform

Next, if institutional power holders who want to maintain the status quo are able to control the timing of institutional reform, it becomes more difficult to form coalitions and thus less likely that institutional change via a shift in the balance of power will unfold **(H2B)**. The main element in controlling the timing of institutional reform is the control over the agenda of institutional reform. In this respect, the Council, which sets out the priorities and political agenda for a couple of years, is an important organization to consider. Furthermore, the presidency of the Council led by a member states is in charge of developing a common agenda of themes and priorities [2]. Both Councils, together with the Commission who holds the right of initiative, have a lot of influence on the timing of institutional reform.

[2] This is in close cooperation with two other member states for a period of 18 months. At the beginning of a so-called 'trio-presidency', three countries work closely together during their presidencies.

4: Analysis

Our methodological approach aims primarily at explaining the outcome in the different fields of EU industrial policy. Therefore, our analysis will not be structured in a way of testing our hypotheses one by one. Instead, we will applicate our extended GCF to the three different fields of EU industrial policy, and treat them separately. We will see if and how the endogenous and exogenous factors that have been outlined, have contributed to changes in the field of state aid, antitrust and foreign subsidies. At the end of this analysis, we observe the changes in the subfields more in their entirety, arguing whether or not a paradigm shift towards using competition control again as an industrial policy to protect and promote EU industries against foreign competitors took place.

4.1: State aid

4.1.1: State aid since the neoliberal turn (1980s-onwards)

The retreat of industrial policy since the neoliberal turn of the 1980s was characterized by an abandonment of subsidization by national public authorities to domestic firms (Pianta, Lucchese & Nascia, 2020; Aiginger & Rodrik, 2020). Before that, a lenient approach towards state aid was in place leading to a situation where governments picked their winners to become 'Euro champions' such as Airbus (Interview, 2021a). The Great Stagflation crisis created a window of opportunity to advocate for a neoliberal turn: the 'new protectionism' phase which included direct state aid was over (Wigger & Buch-Hansen, 2011). This neoliberal turn led to a severe decline in state aid, decreasing from approximately 2% of Europe's GDP in 1980s towards 0.5 during the 2004-2008 (Wigger & Buch-Hansen, 2014). Since the 1980s, EU legislation is aimed at the prohibition of any kind of selective government support, providing any advantage to a firm over its competitors (Pianta et al., 2020; DG COMP, 2020). The Treaty of Rome in 1957 stated the limitations and the exemptions on State aid (Art. 81–89), which have been revised by the Lisbon Treaty in 2008 (Art. 101–109) (Pianta et al., 2020). Nevertheless, there are some exemptions (such as the IPCEIs explained below) possible as enlisted in the Art. 107(3)(b) of the Lisbon Treaty. Other exemptions are possible with the use of the *de minimis* measures (i.e. small amounts of state aid) (Pianta et al., 2020).

During the financial crisis, the EU has allowed exceptions to competition and state aid rules, although they were considered to be temporarily and mainly aimed at the financial sector (Wigger & Buch-Hansen, 2014; Interview, 2021). Relaxing or suspending state aid rules for the real economy for the duration of the crisis was not considered an option according to Competition Commissioner Kroes (Kroes, 2008). Her successor, Joaquín Almunia, stated that his main responsibility was ''to make sure that the massive amount of public subsidies would not distort competition'' (Almunia, 2011). Due to several factors such as the strength of DG COMP in opposing fundamental institutional change, no wider paradigm shift away from the neoliberal stringent competition focus in the field of state aid happened initially after the financial crisis (Wigger & Buch-Hansen, 2014). However, recent years have seen again an increase in state aid expenditure: Member States spend 0.76% of GDP on state aid at the European level in 2018 (DG COMP, 2020). Nowadays, state aid support has certainly skyrocketed in a historically unprecedented way. Over two trillion euros of state aid measures, and still counting, is being put forward by Member States to combat the economic aspects of the Covid-19 pandemic (European Parliament, 2020j). All in all, the focus on stringent prosecution of state aid seems to be declining, especially if we look at how the EU is dealing with projects of common European interests.

4.1.2: The introduction of the Important Projects of Common European Interest (IPCEI)

These so-called IPCEIs are large-scale cross-border projects which are mainly focused on strategic value chains, as identified by the Strategic Forum of IPCEIs developed in 2018. According to the Commission, they address important market failures and are of a significant benefit to the EU economy (European Commission, 2021d). Article 107(3)(b) of the TFEU addresses the emergence of IPCEIs: 'The following may be considered to be compatible with the common market: (b) aid to promote the execution of an important project of common European interest'.

Eventually, the possibility of forming IPCEIs was included in the 2006 Community framework for state aid in the domain of research, development & innovation (European Parliament, 2020b). Only in 2014 the Commission adopted a framework which drafted criteria for the use of IPCEIs, and created the possibility to include projects in any area of economic activity (European Commission, 2014a). However, there are still several requirements to establish an IPCEI: it must create value across the EU, involve more than one Member State, and have clearly identifiable positive spill-over effects (European Parliament, 2020b).

Since the adoption of the framework in 2014 up until 2018, only infrastructure projects were used as an IPCEI (Meunier & Mickus, 2020; European Parliament, 2020b). These infrastructure projects consisted of rail-road links between Denmark and Sweden (Øresund) and Denmark and Germany (Fehmarn Belt) (Interview, 2021a). After 2018, IPCEIs were not exclusively used for infrastructure projects anymore, but were also launched in strategic value chains such as microelectronics and batteries (European Commission, 2018; 2019c). Moreover, the Strategic Forum for IPCEI has already identified six additional strategic value chains for joint or coordinated investments and actions: connected, automated and electric vehicles, smart health, low-carbon industries, hydrogen technologies and systems, industrial internet of things and cybersecurity (European Parliament, 2020b; Council of the European Union, 2019). These strategic value chains are closely related to the concept of 'strategic autonomy', implying that the EU wants to become less dependent (autonomous) on the rest of the world in, according to them, areas deemed strategic (European Parliament, 2020d; Friends of Industry, 2018). In essence this means that the European Commission will strongly intervene in the market by giving aid to companies in 'strategic value chains' such as smart health and cybersecurity sectors to become 'Euro champions' with the final goal of obtaining 'strategic autonomy'. No surprise, the Commission may take a more positive stand towards an IPCEI if third-country competitors have obtained (or are going to obtain) comparable aid for similar programs, leading to a competitive advantage for them (European Parliament, 2020b). This more positive stance is also reflected in the so-called ''matching aid clause'' which allows state aid for R&D projects if these kind of projects compete with subsidized non-EU projects (Interview, 2021a).

The broadening use of IPCEI after 2018 is a major turnaround of the Commission towards actively intervening in the market by selecting strategic industries that need special support. In other words, there seems to be momentum for the creation of other IPCEIs, also because a growing number of governments have been calling to make IPCEIs more frequently and widely used (European Parliament, 2020b; Interview, 2021). However, according to many governments, the procedure is still long and restrictive (Robert Schuman Foundation, 2020). These governments argue IPCEIs will only be successful if the Commission's monitoring procedure is not too long, because they operate in high-technology sectors where action needs to be taken quickly (Robert Schuman Foundation, 2020). In 2018, 19 Member States called for simplifying and accelerating authorization procedures for IPCEIs, widening their application to more technological fields and re-examining the existing framework to increase its efficiency (European Parliament, 2020b).

In conclusion, whereas a modest use of the instrument was chosen before 2018, the Commission is nowadays convinced to further enhance the openness of the IPCEI framework (European Commission, 2021b). This also led to the preparation by the Commission on the launch of two other alliances: the Alliance on processors and semiconductor technologies and the Alliance for Industrial Data, Edge and Cloud (European Commission, 2021b). Although the Commission was already convinced to enhance the openness of the IPCEI framework, some Member States are still in favor of a more reserved use of the instrument, arguing the instrument should not ''distort innovative forces'' and not be ''overused at the risk of disproportionally harming competition'' (''Smart and selective use of the IPCEI instrument'', 2021) [3]. According to them, the communication needs to be more focused and steer Member States towards smart and selective projects where an IPCEI effectively addresses a market failure, taking a more reversed standpoint (''Smart and selective use of the IPCEI instrument'', 2021). Nevertheless, it seems like the EU is heading in favor of broadening the use of IPCEIs, a state aid tool which picks winners to become 'Euro champions'. Whereas since the 1980s, the main mantra was to prosecute state aid as much as possible, nowadays, the tide is turning towards using state aid again to promote and protect 'Euro champions' in strategic value chains to obtain 'strategic autonomy'. How did this institutional change happen in the field of state aid?

4.1.3: The Franco-German leadership

As part of a growing support after the 2008 crisis, France established a 'Friend of Industry' group to modernize state aid rules (Ambroziak, 2014). Furthermore, France advocated for an industrial policy by adopting the concept of reindustrialization and pushed the Commission to introduce the IPCEI framework as part of its state aid modernization agenda in 2012–2016 (Meunier & Mickus, 2020).

[3] Czech Republic, Denmark, Finland, Ireland, Latvia, Lithuania, Poland, the Netherlands, Slovakia, Spain and Sweden

Arnaud Montebourg, former French Minister of Economy and Industrial Renewal (2012-2014) explained that state aid rules were established to ensure competition within the EU, but were now anti-productive in a global world (Ambroziak, 2014). Some of the other Member States were not entirely opposed to the concept of reindustrialization in Europe (Ambroziak, 2014). In particular Germany and Poland shared the opinion expressed by the 'Friends of industry' about the need to recognize the crucial role of industry in boosting competitiveness in the EU, but still were reluctant to weaken state aid rules, just like the more liberal Scandinavian countries (Meunier & Mickus, 2020; Ambroziak, 2014). When the Commission outlined their new Industrial Strategy underlining their liberal approach in 2014, the French suffered a defeat in opting state aid as the cornerstone of a new industrial strategy (European Commission, 2014b). This led DG COMP to put the IPCEI framework aside and consistently defended strong state aid enforcement (Meunier & Mickus, 2020).

4.1.4: Germany's changed standpoints towards China

In the years that followed, Germany became increasingly concerned with Europe's overreliance on foreign suppliers and competition against state-backed foreign competitors, fed by concerns over their companies' industrial strength (Meunier & Mickus, 2020; Bauer & Erixon, 2020). The overreliance on foreign suppliers was primarily visible in the battery industry, where the German auto industry was highly dependent on foreign suppliers (Meunier & Mickus, 2020). These concerns were mobilized into powerful commercial interests advocating to counter (especially) Chinese economic expansionism (Vela, 2019a). Historically, the Germans had not always been the driving force or supporter behind more robust policies towards China, also because of their emphasize on, à contrary to the French, the competitive nature of the *Mittelstand* (SME) (Robert Schuman Foundation, 2020; Financial Times, 2019b). However, an assessment by the Federation of German industries (BDI) highlighted that while individual German companies were dependent on China, the whole German economy as such, was not (Clingendael, 2020b). On top of that, whereas the Germans initially expected that China would develop in a liberal market economy competing in an European way, the insight that this was not going to happen led to another stance towards EU industrial policy, and thus state aid (Federation of German industries, 2019). The head of the BDI, Dieter Kempf, made it clear that while China remained the driving force of the global economy and an important market for German industry, ''no one should simply ignore the challenges China poses to the EU and Germany'' (Federation of German industries, 2019). Thus, the negative material effects of the current industrial policy, of which state aid is an essential part, became clear for Germany. This led to a deviation from the traditional German stance regarding state aid, and notably IPCEIs: the German Minister for Economic Affairs and Energy, Peter Altmaier argued that IPCEIs might be necessary to build car batteries (considered to be a crucial technology) in Europe (Hall & Khan, 2019). According to him, IPCEIs could be useful tools for creating new value chains that have the potential to ensure the EU's long-term competitiveness and economic growth against these major powers, especially in sectors of strategic value (European Parliament, 2020c). Within these fields, European companies are late comers and dependent on technologies from firms in other countries, in particular from the US and China (European Parliament, 2020b).

This marked political shift of Germany towards a greater enhancement of the instrument IPCEI was thus also related to Chinese economic expansionism. Since China became the second-largest economy in the world in 2010, and especially since the introduction of Xi Jinping as the leader of the People's Republic of China in 2012, China had increased their economic presence in the world (BBC, 2011; Clingendael, 2020a). One way of doing so was the creation national champions. China supports its national champions without constraint, who - as a result of this State aid in the form via subsidies or tax rulings - compete unfairly on world markets, particularly against European groups (Robert Schuman Foundation, 2020). For instance, Huawei has benefited from some 75 billion dollars in state aid which has enabled it to become the world's leading telecoms equipment supplier (Robert Schuman Foundation, 2020).

This notable change of economic power in the world with rising ‘Chinese champions’ has led to a shift in the balance of power in the world, affecting the EU’s place in the world order. These Chinese champions, created by a state-led capitalism ideology, caused a situation where it became more difficult to be competitive for European companies. Although main responses against the Chinese threat only emerged after 2015, the increasing global economic presence of China since 2010 had severe impact on especially the German stance on EU industrial policy, and the aim to modernize state aid (Clingendael, 2020a). This is in line with our first hypothesis **(H1)** which argued that institutional change occurs if a change in contextual economic power conditions outside the institution happens, such as the increasing global economic presence of China since 2010. This exogenous source of change had stimulated a shift in the balance of power by causing a change in German standpoint. Nevertheless, institutional change in the field of IPCEIs was not yet implemented at the moment the Germans changed their views. Therefore, China’s increasing economic presence since the beginning of previous decade can be seen as *necessary* evidence for explaining institutional change in state aid. All in all, this *necessary* evidence confirms our first hypothesis **(H1)** showing the importance of the change in Germany’s standpoint regarding state aid due to the rise of China’s economic power via Chinese state-owned enterprises (SOE), which as we will see, has contributed to institutional change in EU state aid policy.

4.1.5: Coalition dynamics

Disadvantaged social forces (the German industries) came together in their federation (BDI) to increase mutual powers after the development of negative material effects over time. This led to 54 demands addressed to Berlin and Brussels in order to better meet the growing challenges posed by the state-dominated Chinese economy (Federation of German industries, 2019). Moreover, the German industry associations are not the only business associations that addressed their interests in institutional change in state aid. Other business associations, like Business Europe are also in favor of IPCEIs arguing that they play an important role to strengthen European competitiveness and promoting ‘’European key technologies and strategic value chains’’ (Business Europe, 2021, p. 1). Even the European umbrella organization of national trade unions, the European Trade Union Confederation (ETUC) applauds the road to ‘strategic autonomy’ and supports the development of

IPCEIs, despite not being included in discussions about new Industrial Alliances and IPCEIs (ETUC, 2021). This is also reflected in the composition of the Strategic Forum of IPCEI: the forum which identifies suitable strategic value chains for IPCEIs. No trade unions or other organization that represents worker's interest are part of the Strategic Forum. The Forum mainly consists of trade and business associations, next to government representatives of Member States (European Commission, n.d.). Being influenced by these industrial lobbyists, the Germans aligned with the French who had long been in favor of a state aid revision. The French-German axis constituted of a coalition that would be able to shift the balance of power towards a more state-interventionist, activist industrial policy in Europe.

In December 2018, Bruno Le Maire, the Minister of Economy and Finance met with Peter Altmaier to insist on the development of other large projects at European scale in the form of IPCEIs (BMWi, 2018). Just after this announcement, and then again in October 2018, a number of countries, working under the framework ''Friends of Industry'' issued a Joint Declaration to simplify and accelerate the authorization procedures for IPCEI projects to strengthen 'strategic autonomy' (Robert Schuman Foundation, 2020; Friends of Industry, 2018). They also asked for more clarity on increasing the efficiency of proceedings (e.g. notification procedures, approval time frames) and what costs could be financed from public coffers (Friends of Industry, 2018; Valero, 2019). All of the above was aimed at building a European industrial policy that encourages the creation of major economic players capable of facing global competition (Friends of Industry, 2018).

In the meantime the European institutions rallied behind a broadening use of IPCEIs. The new President of the Commission, Ursula von der Leyen outlined their priorities at the start of their term to '' continue to work with the Member States to make the most of Important Projects of Common European Interest'' (von der Leyen, 2019a). The European Council also demanded boosting support for IPCEIs and facilitating their implementation. It underlined that IPCEIs are 'one of the relevant tools for supporting strategic value chains at EU level' and stated that it eagerly awaits further proposals in new technological fields (European Council, 2019). The European Parliament also acted supportive: in a June 2020 resolution it called on the Commission to ''further promote major IPCEIs in disruptive technologies, to simplify the relevant provisions and to streamline its requirements so that smaller industrial research projects are also approved'' (European Parliament, 2020b, 2020c).

In 2019, France and Germany, frustrated due to the blocked merger between Siemens and Astrom, again pushed for a review of competition rules to allow the creation of 'Euro champions' when they launched their joint manifesto for a "European industrial policy fit for the 21st Century" (French Government, 2019). In a quite French-sounding interventionist German plan, Altmaier even listed national companies whose success was of national importance (Hall & Khan, 2019; Financial Times, 2019a). Besides concentrating on merger control, they also addressed the modernization of state aid. They reiterated their belief in the instrument IPCEI as such, but insisted on the complexity to implement it (French Government, 2019). Therefore, they argued: "It may be appropriate to revise the implementing conditions to ensure that the IPCEI is easier and more effective to implement'' (French Government, 2019). Despite the fact that the batteries initiative was approved in the space of five months, a French government official said their call to introduce more flexibility for the ICPEI framework remained on the table (Valero, 2019).

In conclusion, after the changed German standpoint, Germany and France started to align together and push the Commission to broaden the use of IPCEIs in the context of an industrial policy aimed at promoting and protecting European industries. This *sufficient* evidence above confirms our second hypothesis **(H2)** about the change in the over-time distributional material effects which heavily affects German industries - stimulated by China's economic power as an exogenous source- that creates a new coalition between France and Germany heading for a different stance on state aid, and particularly IPCEIs.

4.1.6: Strategic autonomy and technological sovereignty

To simplify and broaden the IPCEI instrument towards a more state interventionist approach of state aid, the French-German axis needed to purpose a framework based on new ideas and a new ideology beyond their narrow material interests according to the GFC **(H2A)**. The concept 'strategic autonomy' was a perfect catchphrase suited to create a narrative based on a new idea and ideology to boost its own industry (Tamma, 2020). Especially the French, threatened by the Chinese and US technological supremacy, were actively pushing the concepts of 'strategic autonomy' and 'technological sovereignty' for three years (Tamma, 2020; Clingendael, 2020b). However, only recently, the term has been related to industrial policy. The concept appeals to a broader threat about the ability to act in a sovereign way, sidestepping pure material interests by depicting a horror scenario when Europe would rely entirely on non-European technologies for strategic value chains. Macron stated that: '' A consensus is emerging in light of this crisis to strengthen European strategic autonomy, meaning our sovereignty, our ability to reduce our dependence vis a vis the rest of the world'' (Tamma, 2020). The introduction of these concepts seems to deviate from the previous neoliberal stringent competition focus, while precisely fitting in the *Zeitgeist* of ''America First'' and ''Made in China 2025'' (Tamma, 2020). Therefore, our first sub-hypothesis about the importance of pushing the concepts of 'strategic autonomy' and 'technological sovereignty' is confirmed, also because opponents have encapsulated the concepts in acknowledging IPCEIs are important tools to establish goals like strategic autonomy ('' Smart and selective use of the IPCEI instrument'', 2021).

Shortly thereafter, Poland joined the Franco-German initiative on 4 July 2019 and the three countries issued a communiqué "Modernizing EU Competition Policy" again addressing the need for greater clarity on the conditions for cooperation (BMWi, 2019). They stated that the European Commission should strengthen its advisory capacity to give enterprises of all size guidance on cooperation to reinforce cross-border European value chains (BMWi, 2019). These positions were confirmed and further developed by French ministers, often in association with Germany (Robert Schuman Foundation, 2020).

4.1.7: The German presidency

In March 2020, again a bunch of countries including France and Germany wished to retain their focus on other major European projects via IPCEIs in strategic value chains such as health, climate or the digital area (French Ministry of Economics and Finance, 2020). Also during the Covid-19 pandemic in 2020, the French-German axis urged the Commission to speed up the implementations of IPCEIs (German government, 2020). Furthermore, the Germany's Council Presidency (July-December 2020) was especially helpful for the French-German to control the timing of institutional reform **(H2B)**, which made it easier to push for a more open enforcement of IPCEIs. As the GFC suggested, if institutional power holders are able to control the timing of institutional reform, institutional change is more likely to happen. This is exactly what happened, because the German Presidency had seen considerable progress on 'Industrial alliances' and 'Important Projects of Common European Interest' (IPCEIs), especially in the fields of battery cells and hydrogen technologies (BMWI, 2020; Šefčovič, 2021). This stimulated the Commission to further enhance the openness of the IPCEI framework to other strategic value chains, adhering to the wishes of the Franco-German axis ('' Smart and selective use of the IPCEI instrument'', 2021; European Commission, 2021b).

4.1.8: Conclusion

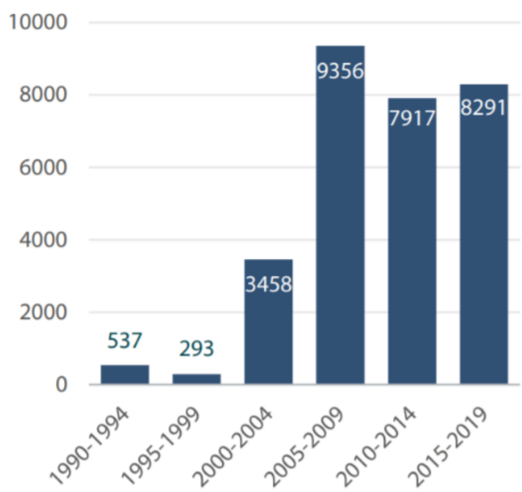
In conclusion, the IPCEI framework has been broadened in the previous years, from only using the framework for infrastructure projects, to using them in the fields of microelectronics and battery value chains, to further enhance their openness in other strategic value chains (European Commission, 2021d). This fits in a broader tendency towards using state aid as part of an EU industrial policy aimed at promoting and protecting European companies. This institutional change is mainly stimulated by the French-German duo, triggered by Chinese economic expansionism, being able to offer an alternative framework based on 'strategic autonomy' and 'technological sovereignty' while pushing for further reforms during German presidency in the Council.

4.2: Antitrust

4.2.1: Antitrust since the neoliberal turn (1980s-onwards)

The basis of EU antitrust policy is formed on two core legal provisions: Articles 101 (prohibits agreements between two or more independent market operators) and 102 (prohibits abusive behavior by companies holding a dominant position on any given market) TFEU (European Parliament, 2019), both originating from the 1957 Treaty of Rome (Wigger & Buch-Hansen, 2014). In its early years, antitrust policy was characterized by a lenient stance towards cartels and dominant positions by firms (Buch-Hansen & Wigger, 2010). After the neoliberal market restructuring in the 1980s, antitrust policy changed towards an unprecedented stringency in prosecuting cartels and firms with a dominant market position (Buch-Hansen & Wigger, 2010). When an infringement has been found, the Commission can impose fines, which may be very substantial – as much as 10 % of worldwide group turnover in the financial year preceding the decision (European Parliament, 2019). Since 2008 there even have been five cases of fines exceeding €1 billion, leading to a large amount of aggregate fines: almost €30 billion since 1990 has been issued as can be seen in Figure 2 (European Parliament, 2019). For instance, the total fines by the EU on Google amounted as of August 2020 to €8.2bn (European Parliament, 2021b).

Figure 2: Cartel fines in millions (1990-2019)



Source: European Parliament, 2019

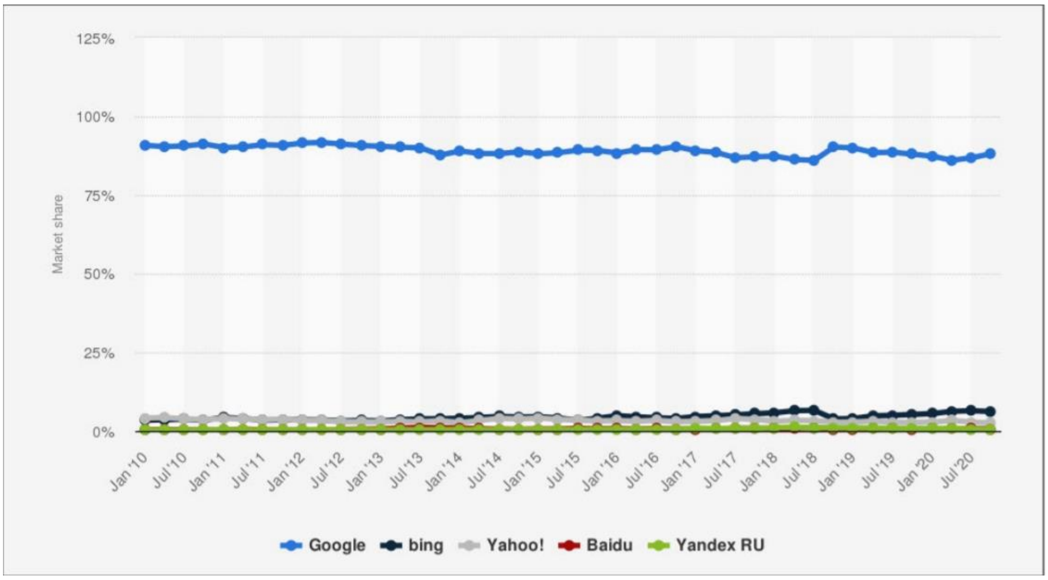
During the financial crisis, no paradigm shift in the field of antitrust happened towards a more flexible or permissive stance in its regulation of cartels to cope with the crisis (Wigger & Buch-Hansen, 2014). Whereas crisis cartels were allowed before, the Commission made it abundantly clear that this was no longer an option, arguing it would not be in the interest of the European economy (Wigger & Buch-Hansen, 2014).

In recent years, the EU has launched a series of antitrust proceedings, especially against large online platforms (e.g.: Amazon, Google Android) from outside the EU (European Parliament, 2021a).

In light of these antitrust proceedings, the Commission reflected on how to adapt EU competition law tools in the digital environment (European Parliament, 2021a).

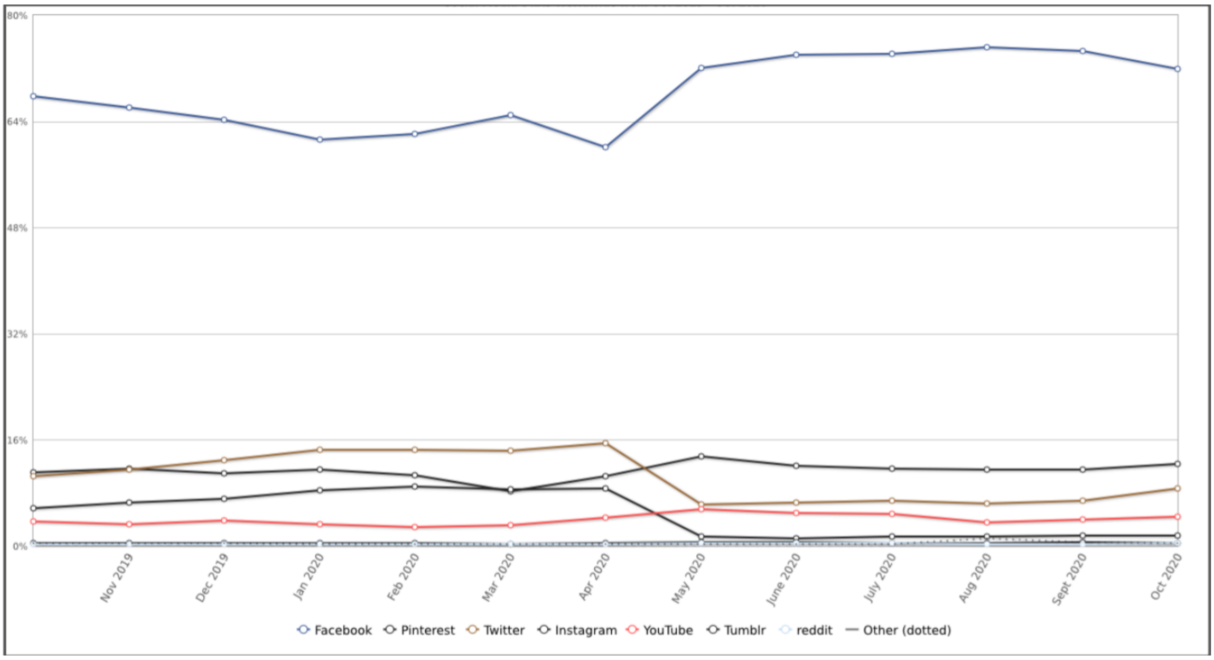
However, despites these initiatives, there is an increased worrisome that a few large platforms are becoming so-called online 'gatekeepers' (European Parliament, 2021a). These 'gatekeepers' amassed a dominant market position, notably because of: strong network effects (i.e. users are more likely to choose platforms with a larger user base), their intermediary role (i.e. between sellers and customers) and their ability to access and collect large amounts of data (European Parliament, 2021a). This leads them to exercise control over entire economic ecosystems, simply because businesses and consumers are largely dependent on these gatekeepers. The monopolization by these gatekeepers are especially visible when looking at several parts within the digital market (internet search (Figure 3) and social media market share (Figure 4)) as shown in the figures below.

Figure 3: Dominance of Google in the internet search market (2010-2020)



Source: European Parliament (2020b)

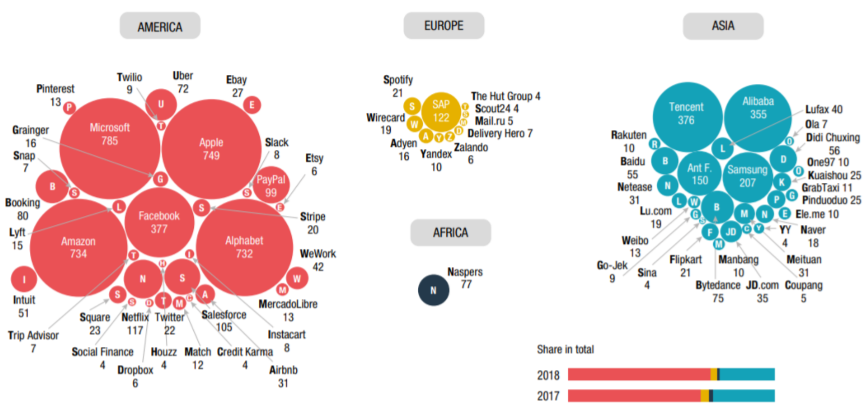
Figure 4: Dominance of Facebook in the social media market (2010-2020)



Source: European Parliament (2020b)

The dominant position obtained by digital gatekeepers such as Google and Facebook is partly caused by their active engagement in mergers and acquisitions (European Parliament, 2020b). The so-called, GAFAM (Google, Amazon, Facebook, Apple, Microsoft) companies, acquired 1000 other companies between 2000-2020, raising questions about stronger merger enforcement in light of concerns about reduced competition and innovation due to these 'killer acquisitions' (Noyan, 2021). As shown in Figure 5, these digital platforms currently mainly originate from China and the USA, a state of dependency that leads to the notion of a lack of EU technological sovereignty (European Parliament, 2020d).

Figure 5: Main global digital platforms in the world (2018)



Source: UNCTAD (2019)

With regard to the USA, Europe is showing a prolonged inability to confront the digital US monopolies at the global level (Amazon, Apple, Facebook, Google, and Microsoft) in fields such as key digital technologies and platform development, 5G technologies, and control over data (Pianta et al., 2020). These digital firms also have become that big because of a more limited antitrust policy in the US. Throughout the years, the US has gradually reduced control over concentrations (Robert Schuman Foundation, 2020). With regard to China, the launch of the "Made in China 2025" plan has showed its determination to stimulate innovation on the technological level (Pianta et al., 2020). China is already among the top-five economies developing technologies and has overtaken the EU in the share of R&D expenditure (2.1% of GDP in 2017, compared to Europe's 2%) (Organisation for Economic Co-operation and Development [OECD], 2019). Moreover, their merger control allows exceptions which led to a string of megamergers to accomplish industrial policy objectives (European Parliament, 2020g). Due to a different antitrust policy and a strong focus on innovation in China and the US, Europe is currently lagging behind in the technology sector.

4.2.2: From ex-post investigations to ex-ante remedies

Against this backdrop, EU policymakers have considered a shift from ex-post antitrust intervention to ex-ante regulation. This new approach is driven by the fact that existing EU competition rules do not deal adequately with market failures resulting from the behaviors of digital gatekeepers, notably because Article 101 and Article 102 investigation procedures require a specific analysis that can only take place ex-post (i.e. after a competition problem has emerged) and may take too long (European Parliament, 2021a). More specifically, Vestager's battles as the Commissioner for Competition takes too much time against the big tech giants, giving the companies extra time to strengthen their dominance (Satarino & Gridneff, 2019; European Parliament, 2020f). For example, it took the European Commission nearly seven years before a decision was born on the self-preferencing of Google's own price comparison service in search results (European Parliament, 2021b). Moreover, once the inquiries are completed, the large fines can easily be afforded by the companies, while structural changes that would restore competition are not addressed (Satarino & Gridneff, 2019). Furthermore, competition law may also be unable to deal with competition problems where the harm is caused by economic features (such as network effects), and not anti-competitive behavior (European Parliament, 2020f). Due to the above-mentioned problems, the Commission has sought to seek solutions to deal with digital gatekeepers from especially China and the US. Recently, the use of interim measures together with the Digital Markets Act (DMA) proposal by the Commission indicate a shift towards a more assertive antitrust policy in the form of ex-ante regulations (i.e. before an investigation process) against these big-tech giants.

4.2.3: The use of interim measures

In October 2019, the Commission forced Broadcom, a leading supplier of chipsets in TV set-top boxes and modems, to immediately stop its conduct due to uncompetitive behavior (European

Commission, 2019b). This was the first use of interim measures after an absence of 15 years and signals a new competition enforcement pathway (Pitesa, 2020). Interim measures can be issued even before there is a formal finding or wrongdoing, which entails a shift towards ex-ante regulation, and creates possibilities to become more assertive towards companies which act uncompetitively according to the Commission (Satarino & Gridneff, 2019). To impose interim measures, the Commission needs to demonstrate an urgent risk of 'serious and irreparable harm' to competition and provide prima facie evidence of infringement, which are quite high thresholds to meet (Meunier & Mickus, 2020). Since the Broadcom decision, the Commission is set to ''make the best possible use'' of interim measures, finding ''it a very high priority to speed up in what we do'', particularly in digital markets, with foreseeable consequences for the complexity and effectiveness of antitrust proceedings (European Commission, 2020i).

4.2.4: Digital Markets Act

Besides the use of interim measures, the Commission sought for different ways to update their antitrust toolkit (Vestager, 2020a). In October 2020, the Commission was working on a legislative proposal which consisted of ''ex-ante regulation and case-by-case enforcement'' to ''keep competition working well in digital markets'' (Vestager, 2020a; 2020b). Just like the use of interim measures, this would entail a shift from ex-post anti-trust intervention to ex-ante regulation, and would enshrine within EU law a set of rules that would radically change how large digital platforms are allowed to operate in the EU (European Parliament, 2021a).

Two months later, the Commission published this proposal for the regulation on contestable and fair markets in the digital sector, often referred to as the DMA. This proposed legislation lays down harmonized rules aimed at regulating behavior of digital platforms which acts as 'gatekeepers' (European Commission, 2020g). The DMA proposal departs from a classical competition policy approach and has two main objectives: to ensure that digital markets are and remain contestable and to ensure fairness and a level playing field for players on digital markets in the EU (European Parliament, 2021a). While antitrust law is primarily concerned with the protection of undistorted competition, ex-ante regulation enfolds different goals (i.e. contestability and fairness) and entails a reversal of the burden of intervention since the approach no longer consists of assessing the behaviors of a company ex-post but rather conducting research ex-ante (Toplensky & Murgia, 2019).

The use of interim measures after an absence of 15 years next to the Digital Markets Act (DMA) proposal by the Commission are two important developments which show a departure from the neoliberal competition approach. It seems clear the EU is heading towards a more assertive antitrust policy to protect and promote EU industries (Suominen, 2020). This is done by using ex-ante regulations, especially aimed at superior and powerful digital platforms from outside Europe. Whereas previously antitrust policy was aimed at accurate antitrust investigations, the tide is turning towards a more faster and effective way of using antitrust policy. How did this institutional change happen in the field of antitrust?

4.2.5: The route towards a more assertive antitrust policy

As said, the dominant market position by large digital platforms has received a lot of attention in recent years from multiple EU institutions. The European Parliament has already adopted several legislative reports setting out its position regarding antitrust policy: it called on the Commission to impose ex-ante regulatory remedies on large platforms with a gatekeeper role in the digital ecosystem where competition law is not enough to ensure testability within these markets (European Parliament, 2020a; 2020e; 2020f). Furthermore, the Council also supported the Commission in their intention to explore ex-ante rules for markets with large platforms acting as gate-keepers (Council of the European Union, 2020). At the Member State level, meanwhile, a broad consensus has emerged in recent years on the need to update and harmonize the EU rules applicable to online platforms, and ways to shape legislation in this area have been discussed (European Parliament, 2021a). Nevertheless, some countries are cautious regarding the negative side-effects of the proposed ex-ante regulations. For instance, Ireland emphasized the importance of whether or not innovation is hampered by large digital platforms in assessing whether or not they would support ex-ante measures against them (Government of Ireland, 2020). The Nordic countries supported the need to address the powers of the large digital platforms via ex-ante regulations, but also stressed the positive role the digital platforms played in their economies (Norwegian Competition Authority, 2020).

4.2.6: The technological supremacy lays outside Europe

In 2017, Margrethe Vestager explained she was looking at broader powers to confront digital markets (Toplensky, 2017). These broader powers did not necessarily imply new rules, instead this could ''mean that we need to look again at the tools we use to enforce the competition rules'' (Vestager, 2019). Ideas about interim measures and other ways to combat digital markets had been circulating in Europe for some time and were summarized in Commission expert group report in 2019, which argued that "dominant digital firms… require vigorous competition policy enforcement and justify adjustments to the way competition law is applied." (DG COMP, 2019). Nevertheless, the Commission viewed the high barriers for the use of interim measures as problematic (Meunier & Mickus, 2020). Besides the Commission, Germany and France -fed by their concerns about their industrial strength- were also main drivers behind these policy ideas. They were followed by their allies Italy, Austria, Poland and Spain and formed together the leading advocates of tougher antitrust enforcement in the technology sector, with the overarching goal of technological sovereignty (Suominen, 2020; Bauer & Erixon, 2020). These countries were worried about European dependencies on predominantly US technology firms, as Merkel and Altmaier had argued several times (Bauer & Erixon, 2020). To decrease dependencies on other parts of the globe, Europe needed to create the right conditions to develop and deploy its own key capacities, especially for the most crucial technologies. In this respect, the Commission multiple times emphasized the importance of a fair and competitive economy, especially within the technology sector. The Commission argued that ''it is important that the competition rules remain fit for a world that is changing fast, is increasingly digital '' (European Commission, 2020c, p. 8).

Just like during the 1970s, when Europe was threatened by the competitive pressure of much larger American companies, it is now seeking to curb the American *and* Chinese champions (Wigger & Buch-Hansen, 2014; de La Maisonneuve, É, 2019). The Chinese and American technological supremacy has led towards a business climate that is heating up for American and Chinese companies (Suominen, 2020). According to Vestager, one of the reasons why Europe did not have is own Facebook or Tencent is that '' that we never gave European businesses a full single market where they could scale up'' (Bauer & Erixon, 2020, p. 16). The lack of technological sovereignty led France and Germany on the one hand to call upon the Commission to simplify the use of interim measures, and on the other to revise competition rules more towards ex-ante regulations. Although there is an evident tension between the traditionally pro-competitive stance of EU antitrust policy with its emphasis on assuring a level-playing field for the single market and the strategic aim of promoting European companies globally, the latter has taken over (Abels et al., 2020).

4.2.7: Agreement among Member States

In 2019, according to a position paper written by Poland, France and Germany, simplifying interim measures which could prevent a risk of serious and irreparable damage to competition, should be a top priority in EU antitrust (BMWi, 2019). They argued that a shorter timeframe could help to avoid the risk of a loss of competition on fast-changing digital markets (BMWi, 2019). After they were joined by Italy, they wrote a letter to Vestager, arguing that the use of interim measures should be encouraged, and proposals about a stricter regulation of digital platforms should be drafted (Altmaier, Patuanelli, Le Maire & Emilewicz, 2020). Moreover, they stressed the importance to develop ''an ambitious timetable regarding this, given the utmost importance of the matter'' (Altmaier et al., 2020).

Clearly, the encouragement by Member States made it easier for the Commission to dust off the instrument of interim measures after an absence of 15 years. Stimulated by these institutional power holders, the Commission was able to act in an environment that was willing to close the gap between enforcement and the establishment of interim measures rules since 2004. The rediscovery of interim measures led to institutional change in the field of antitrust: the Commission was heading towards an antitrust approach based on ex-ante regulation. Vestager argued: ''I doubt it will be the last: It's when markets are moving rapidly that interim measures matter most''(Vestager, 2020a). The gap between the interim measures rules, and the enforcement of these rules, opened up space for compliant behavior. This however is *not* part of the endogenous explanation of non-compliance, which focusses on *non*-compliant behavior by institutional agents leading to institutional change **(H3).** The GCF argues endogenous institutional change can happen because of agents who are not willing to enforce the rules, but in this case, the opposite happened. The gap between the rule and enforcement was not exploited to strive for institutional change, it was 'closed' by the Commission who started to use the rule once more, which led to institutional change. This cause which led to institutional change could be attached to the GCF to use it in other cases where endogenous institutional change took place.

4.2.8: The way to the Digital Markets Act

After the reintroduction of interim measures, the German presidency started to further address the possibilities to regulate the digital economy and limiting the market power of large digital platforms (BMWi, 2020). Merkel stated that European dependencies in the digital area and European sovereignty were major challenges for the German presidency (Goßner & Grüll, 2020). The German presidency launched a debate about antitrust which prepared the ground for legislation to be proposed by the EU on these issues (BMWi, 2020). Within this period, Vestager stated that she was seeking to broaden antitrust powers to address "structural competition problems" within industries, rather than analyzing case-by-case the merits of arguments against a single company (Suominen, 2020).

In October 2020, another coalition consisting of France, Belgium and the Netherlands issued a joint discussion document, explaining why, when and how in their view intervention on platforms with a gatekeeper position should take place (Dutch Government, 2020). According to them, intervention may be necessary in situations where, without any intervention, it is likely that smaller actors and new entrants are not able to compete and thus cannot grow out into a new disruptive innovator (Authority for Consumer and Markets, 2019). This thinking was also shared by other Member states, for instance by the Danish and Swedish governments, which both stresses how imposing burdensome obligations on smaller platforms may hinder their ability to compete (Danish Ministry of Industry, Business and Financial Affairs, 2020; Swedish Ministry of Infrastructure, 2020). However, the Danish government highlights the trade-offs that an ex-ante regulatory instrument for gatekeepers would involve. While such instrument would be efficient, insofar as it would target the biggest players and replace some resource-intensive competition cases, it risks being less flexible than competition law (Danish Ministry of Industry, Business and Financial Affairs, 2020). Despite some concerns raised about flexibility and innovation, Member States were overall convinced of a more assertive antitrust policy to confront digital markets (see Stolton, 2020 for an overview). The French hope the DMA will be adopted in the beginning of 2022, when they are in the position to give an extra impulse to the subject when taking over the presidency of the Council (Stolton, 2020; Kayali, 2021).

4.2.8: Conclusion

From the start on, the Commission von der Leyen was also convinced of heading towards improving case detection and speeding up investigations, implying a more assertive antitrust policy geared towards ex-ante regulations (von der Leyen, 2019a). Interim measures were used again by the Commission after an absence of 15 years, stimulated by France and Germany along with their allies Italy and Poland **(H3)**. Moreover, the high agreement among Member States to confront the digital platforms meant that the Commission enjoyed a permissive environment to expand its powers in antitrust regulation. Furthermore, the German Council's Presidency paved the way to propose the DMA act, and to become more assertive against digital platforms. While there was high agreement on Member States to confront digital platforms from outside the EU, here again, the French-German axis threatened by US and Chinese technological supremacy paved the way for institutional change **(H2).** Stimulated by their focus on 'strategic autonomy' and 'technological sovereignty **(H2A),** and their control over the timing of the reform agenda in a crucial phases via the German Council's presidency and an upcoming French Council's presidency in 2022 **(H2B),** institutional change towards a more assertive, ex-ante regulation in the field of antitrust was established.

4.3: Foreign subsidies

4.3.1: Naïve traders?

Already in 2008, reports asked attention to shape EU-wide policy in such a manner ''as to better protect EU investments abroad and ensure a level playing-field with other foreign investors who benefit from the backing of State funds'' (European Commission, 2008). While the Commission long praised itself as ''the biggest provider and receiver of foreign direct investment'' due to one of the world's most open investment regimes (Barosso, 2011), it also slowly began to acknowledge the danger of foreign subsidies and state owned firms (de Gucht, 2011; Almunia, 2012). SOEs from outside the EU operated without constraint on the internal market, while European companies needed to adhere to state aid and merger control policy. This had severe consequences for European competitiveness, creating an uneven playing field for European companies.

In the years that followed, the Commission mainly looked at the WTO to ensure a level playing field (Almunia, 2014). However, all attempts to adopt common rules on competition in the WTO failed, and thus the President of the Commission (Juncker) took on a more assertive tone: ''Let me say once and for all: we are not naïve free traders'' (European Commission, 2017c; Robert Schuman Foundation, 2020). The EU proposed a new EU-level investment screening framework in 2017 following a worldwide trend of reinforcing FDI screening, building on review mechanisms which were already implemented in several Member states [4] (European Commission, 2017c; European Parliament, 2020d). The screening framework, based on Article 207 TFEU, aimed at creating transparency on foreign (state-owned) companies purchasing a firm in vital sectors such as energy infrastructure or defense technology (European Commission, 2017c). This proposal was also preceded by the European Council welcoming the Commission's initiative to analyze investments from third countries in strategic sectors, just as the European Parliament did (European Council, 2016, 2017; European Parliament, 2017). Although it was a first step in addressing the state subsidized companies, it did not specifically tackle the issue of distortions caused by foreign subsidies, also because the proposal was slightly adopted in the Council and Parliament (European Commission, 2021b; Clingendael, 2020a). By November 2018, the Parliament, the Council and the Commission had agreed on the framework of the FDI screening, and thus the Commission was asked to adopt it as soon as possible (European Council, 2018). Finally, it came into force in October 2020 (Centre for European Policy Studies [CEPS], 2019).

4.3.2: Foreign subsidies

While trade defense instruments such as EU anti-dumping and anti-subsidy rules apply to the import of goods into the EU, they did not cover trade in services, or other financial flows (Interview, 2021b). Therefore, the call to address foreign subsidies grew louder. At the beginning of the Commission-von der Leyen, it became clear that Vestager and Breton (Commissioner for the Internal Market)

[4] Austria, Denmark, Germany, Finland, France, Latvia, Lithuania, Italy, Poland, Portugal, Spain, and the United Kingdom already had FDI screening frameworks in place before 2017, although they differed to a large extent in design and scope.

task was to develop tools and policies to better tackle the distortive effect of foreign state ownership and subsidies in the internal market (von der Leyen, 2019a; 2019b). Moreover, the European Council multiple times called upon the Commission to identify new tools to address the distortive effects of foreign subsidies (European Council, 2019, 2020a, 2020b). On top of that, the European Parliament also agreed to call upon the Commission to '' investigate the option to add a pillar to EU competition law that gives the Commission appropriate investigative tools in cases where a company is deemed to have engaged in distortionary behavior due to government subsidies'' (European Parliament, 2020a).

In her Industrial Strategy outlined in March 2020, the Commission announced to adopt a White paper by mid-2020 to address these distortive effects caused by foreign subsidies in the single market and tackle foreign access to EU public procurement (European Commission, 2020a). In this context, it puts forward several approaches. The three ''modules'' aim at addressing the distortive effects caused by foreign subsidies (1) in the single market generally, (2) in acquisitions of EU companies and (3) during EU public procurement procedures (European Commission, 2020b). These modules are complementary to each other, rather than alternatives (European Commission, 2020e). The White Paper paved the way for a Commission proposal on this subject. The Commission received many positive feedback from business associations after publishing the White Paper (Interview, 2021b).

On 5th May 2021, the Commission adopted the long-desired initiative to tackle foreign subsidies that harm fair competition in the Single Market (European Commission, 2021e). This proposal fits in the broader tendency to establish 'strategic autonomy', developing mutually beneficial trade relations while protecting European business and industries against 'unfair practices' to create a level playing field (European Commission, 2020b; Interview, 2021a). According to the Commission, this proposal will ''make us the first trading bloc in the world with tools against harmful subsidies, from both inside the Single Market and from non-EU countries.'' (European Commission, 2021g). Concretely this means that the Commission is able to investigate financial contributions (via notification-based tools) granted by public authorities of a non-EU country which benefits companies and to address their distortive effects in several ways such as the divestment of certain assets, the prohibition of a certain market behavior or prohibition of subsidized acquisitions (European Commission, 2021c). The legislative proposal will now be discussed by the Member States and the European Parliament in the ordinary legislative procedure.

4.3.3: Reciprocity and strategic autonomy

Nowadays, because of the Covid-19 pandemic, a temporary State Aid framework is in place which eases the constraints of using state aid in the EU. In normal times, strict state aid rules are in force which Member States are obliged to adhere, being sensitive to face sanctions when not complying with the rules. However, non-EU states who are located within the internal market are not bound to these rules (European Commission, 2020b; Interview, 2021b). On top of that, neither EU antitrust rules nor EU merger control specifically take into account whether an economic operator may have benefited from foreign subsidies and they do not allow the Commission to intervene and solely or even mainly on this basis (European Commission, 2020b; Interview 2021b). This leads to a situation where European companies are having difficulties to compete with foreign-subsidized firms. Moreover, increasing links in investment and trade between the EU and non-market economies have unfolded in recent decades (Interview, 2021b).

The lack of reciprocity in trade relations provoked a response by the Commission (Interview, 2021b). Nevertheless, the question remains why Europe changed his trade policy from the most open continent in the world regarding FDI to a more state-interventionist stance with the consequence of becoming the 'first trading bloc in the world with tools against harmful subsidies' (European Commission, 2021g). This indicates traits of a more protectionist trade policy. Therefore, we ask ourselves: What are the main drivers of this institutional change towards using competition control against foreign companies?

4.3.4: China's economic dominance and political influence

In 2010, China became the second-largest economy in the world triumphing Japan (BBC, 2010). According to IMF data, China even became the world largest economy in purchasing power parity terms in 2014, overtaking the US (McKinsey&Company, 2018). Since the WTO accession, China's economic growth hugely benefited from greater market openness of their trading partners (including the EU) and the comparative closeness of the Chinese market for foreigners [5] (European Parliament, 2020g). In 2019, China was again the EU's most trade-restrictive partner in terms of border and behind-the-border barriers to trade in goods (European Parliament, 2020d; 2020g). Furthermore, Chinese competition and antitrust policies do not endorse the OECD concept of 'competitive neutrality', as that would be at odds with the special status of SOEs in the Chinese 'socialist market economy' (European Parliament, 2020g). These SOEs are promoted by the Chinese government, which accepts megamergers between them to accomplish industrial policy objectives (European Parliament, 2020g).

This increased economic power has also created a more assertive tone from Beijing. Launched in a speech by Xi Jinping in 2013, the Belt and Road Initiative is the most ambitious Chinese project since 2001 (CEPS, 2019). Europe which was in a growing need for investments after the credit crisis, together with the launch of the Belt and Road Initiative, has led to a greatly increasing share of Chinese FDI in the EU (Cerulus & Vela, 2017). In recent years, China invested a lot in strategic important sectors and infrastructure building, such as the Port of Piraeus in Greece (where the Chinese have a 51% stake) or the building of the Pelješac Bridge in Croatia (CEPS, 2019). In addition, they acquired stakes in the ports of Rotterdam, Antwerp and Zeebrugge, increasing their presence in the North Sea (CEPS, 2019). By giving China access to strategically important locations

[5] In 2018, China was ranked as the sixth most closed economy to foreign direct investment (FDI) on the OECD FDI restrictedness index. Moreover their public procurement market is one of the most restricted markets in the world (European Parliament, 2020d).

and natural resources, Beijing is able to use this financial power to greatly expand its geopolitical influence as well as its economic and military footing from Asia to Europe and Africa (Raleigh, 2020).

However, despite the imbalances, only from 2016 onwards, the open attitude towards Chinese investment seemed to change (Clingendael, 2020a). This coincided with the increase of trade topics on the agenda of the European Council [6] (European Parliament, 2020h). The difficult situation in the EU steel sector was one of the catalysts for stronger EU Heads of State or Government involvement in trade issues (European Commission, 2020h). In a letter to the Dutch Council Presidency and the Commission from February 2016, the economic ministers of seven Member States (Belgium, France, Germany, Italy, Luxembourg, Poland, United Kingdom), expressed concerns regarding global overcapacity in the steel sector and called for more effective trade defense instruments to protect EU businesses (Gabriel et al., 2016).

Later that year, the takeover of the German robotics company Kuka by Midea, a Chinese electrical appliance manufacturer, meant a turning point for the German attitude towards Chinese investments (Clingendael, 2020a). The Germans became aware that Chinese investors were stimulated by the Chinese state to acquire German family businesses in key strategic value chains (Clingendael, 2020a). This led them, and other Member states, such as Finland, France, Italy, Poland, Portugal and the UK to revise their FDI screening procedures to determine whether essential security interests or public order are endangered by impending acquisitions (CEPS, 2020). A debate about the need for legislative action to create a new EU-wide FDI screening mechanism was launched with Macron stating the Belt and Road Initiative could not be one way and Merkel insisting on the reciprocity in trade relations with China (CEPS, 2019). To prevent European countries were played off against each other against China, the Germans (together with France and Italy) called upon the Commission to propose a FDI screening framework (Zypries, Sapin & Calenda, 2017). The Germans were also highly influenced by their industrial base who asked for measures to counter the Chinese (BDI, 2019). The timing of German-Italian-French requests shows their importance, as they were sent before European Council meetings in March 2016 and June 2017, where EU leaders subsequently discussed these issues (European Parliament, 2020h). During the June 2017 European Council meeting, former European Council President, Donald Tusk stressed that 'we must prove that we can defend Europe against those who want to abuse our openness' (European Commission, 2020h). The outcome of the summit was an invitation to the Commission and Council 'to deepen and take forward the debate on how to enhance reciprocity in the fields of public procurement and investment' (European Commission, 2020h).

The proposal for regulation ran into opposition from especially Greece and Portugal who were concerned that the FDI screening framework would hamper their access to foreign FDI (Kirschenbaum et al., 2019). Meanwhile, Scandinavian countries saw the FDI screening framework as protectionist and incompatible with the open, internal market (Kirschenbaum et al., 2019). To

[6] In 2016, the European Council discussed the modernization of trade defense instruments at four of its meetings, and at two meetings in 2017.

comfort these countries, the Commission multiple times emphasized the importance of European openness for foreign investment (Laitenberger, 2017). Shortly before the text's adoption in 2018, a populist coalition that called for strengthening commercial ties with China came into power in Italy (Kirschenbaum et al., 2019). This led Italy to abstain from a final vote, which was notorious because they previously requested the framework (Kirschenbaum et al., 2019). Perhaps this was also motivated by the signature of a 'Belt and Road Initiative' with China in March 2019. With this signature, Italy became the first G7 country to open up an array of sectors to Chinese investment, from infrastructure to transportation, including letting Chinese SOEs hold a stake in four major Italian ports (Raleigh, 2020). Eventually, the proposal was adopted, but its content had been significantly watered down from what was initially planned (Interview, 2021b) [7]. This led to quite some chagrin of France and Germany, which are used to getting their way when they call for something jointly. With this proposal, the Commission could only take action at the request of a Member State (Interview, 2021b). This means that member states still have the final say on approving a foreign acquisition, even when the investment touches on projects of common interests (Kirschenbaum et al., 2019). The effort was offended by a coalition of smaller countries that included traditional champions of free trade like Finland, Sweden and the Netherlands (Cerulus & Vela, 2017). They were backed by Portugal, Greece, Malta and the Czech Republic, all of which received high levels of Chinese investment (Cerulus & Vela, 2017). Nevertheless, a couple months later, a next step was taken, with the proposal for an International Procurement Instrument (IPI). This would address this reciprocity issue in the public procurement market (European Commission, 2017a). With this instrument, the European public procurement market can be closed to companies of those third countries that restrict European companies' access to their own procurement markets (Auštrevičius et al., 2020).

A year later, launching an 'answer to the Belt and Road Initiative' was part of the German government's coalition agreement of 2018 (Clingendael, 2020b). This led the Germans and French to continue with pressing the Commission to introduce new tools to address foreign subsidies (French Government, 2019). The growing opposition against the Chinese also aligned with the more assertive tone from the Commission towards China. At the start of the new Commission, von der Leyen slammed Beijing as a 'systemic rival' for the first time (von der Burchard, 2019). Moreover, in its 2019 communication 'EU-China: the strategic outlook', a policy shift was proposed by High Representative Borrell in terms of engagement with China (CEPS, 2019) [8]. Borrell stated that "there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted" and that "China can no longer be regarded as a developing country", therefore, we need to ''identify how the EU could appropriately deal with the distortive effects of foreign state ownership and state financing of foreign companies on the EU internal market'' (European Commission, 2019d). The White Paper published in 2020 can be seen as a follow-up, again

[7] Initially, the European Council invited the Commission '*examine the need and ways to screen investments from third countries in strategic sectors'*, but this stronger version did not garner the support among Member States. After adjustments, the Commission was asked to *'to analyze investments from third countries in strategic sectors'.* (Cerulus & Vela, 2017).
[8] Several Member states started to change their strategy towards China (see. e.g: Dutch Ministry of Foreign Affairs, 2020).

stimulated by a call from Germany and France to propose new instruments in competition policy to cope with growing competitive pressure, in particular from China.

Other member states reacted, by proposing less far-reaching solutions to address foreign subsidies. For instance, the Dutch favored an approach whereby any company would be subject to tighter control where an acquisition, merger or other behavior would be subsidized by a third country or enjoy a dominant position in that third country (Dutch government, 2019a). However, the Dutch and other traditional liberal states, were not in favor of severely limiting the economic operation of these actors, because this would remove too much competitive pressure in the internal market and would negatively impact the FDI openness in Europe (Dutch Government, 2019a). Apparently, while gradual change towards addressing foreign subsidies and a less open FDI climate were unfolding, a lot of resistance to close the openness of the internal market was still alive.

4.3.5: The Covid-19 pandemic

When the Covid-19 pandemic unfolded, the previously controversial French-German call to address foreign subsidies in acquisitions, public procurement and general market operations, became fully negotiable (Meunier & Mickus, 2020). When traditional liberal states such as the Netherlands realized that they too could fall victim to foreign takeovers of strategic sectors, even they had to change their mind (Borrell, 2020; Clingendael, 2020a). Now, even they are calling for more oversight of foreign investment to ensure that foreign investors do not receive state aid (Borrell, 2020). The Covid-19 pandemic even caused such a big turnaround that, in late March, von der Leyen urged member governments to 'use all options to protect critical European companies from foreign takeovers or influence that could undermine our security and public order' (European Commission, 2020f). In this respect, Germany was setting up a €100bn economic stabilization fund that would take equity in struggling German companies in exchange for injections of cash (Chazan, 2020). Speaking to the press in April 2020, Vestager emphasized that the Commission will not object to 'states acting as market participants if need be…if they provide shares in a company, if they want to prevent a takeover of this kind' (Espinoza, 2020; Interview, 2021b). In June, the European Parliament passed a resolution declaring an 'utmost priority… to forcefully counter unfair competition and hostile behavior from foreign state-owned entities or government linked companies towards vulnerable European companies' (European Parliament 2020a). Apparently, the Covid-19 pandemic which made European firms more vulnerable to foreign takeovers, intensified fears across Europe that SOEs from especially China would increase their presence in the internal market. This fear was even that big that the Commission asked states to act as market participants, something that no one could ever imagined being proposed by the Commission. All in all, the Covid-19 crisis accelerated the movements to propose legislation regarding the distortive effects of foreign subsidies. Situated in a political permissive environment, the Commission released their proposal on the 5th May, 2021.

4.3.6: Conclusion

The initial FDI screening framework proposal was met with heavy resistance from especially liberal states and states having close ties with China. The French-German axis, worried about Chinese expansionism, suffered a defeat by accepting a looser FDI screening framework. Nevertheless, the coalition kept the pressure high to establish reforms related to foreign subsidies. When the Covid-19 pandemic unfolded, the French-German axis was able to convince other Member States and push the Commission to propose legislation in this field. Eventually, although movements towards regulating the distortive effects of foreign subsidies and restoring reciprocity in public procurement, acquisitions and general market operations were already underway before the Covid-19 pandemic, the crisis fortified the development that led to institutional change regarding foreign subsidies. This explanation is not related to one of our hypotheses, but aligns with the old historical institutionalists focus on critical junctures such as the Covid-19 crisis. Moreover, it was stimulated by endogenous gradual changes such as the reconsidered position by the Germans and the increased economic power of China from 2010 onwards. These endogenous changes caused gradual change between 2015-2020 such as the introduction of the FDI screening framework and the IPI instrument. The Covid-19 crisis created a political situation to give a last push towards a more state-interventionist, protectionists trade policy aimed at protecting and promoting European companies.

4.4: Paradigm shift?

Since the (mid)-1980s, EU policy pushed back government involvement in the economy. The early 1990s have seen a stimulation of European integration with the Single Market, the European Monetary Union and the Maastricht Treaty, all severely limiting the policy space for industrial policy (Pianta et al., 2020). Instead, competition policy, which created a level playing field, would serve the European economy the best. Within this neoliberal paradigm, governments should not be seen as a producer, but instead as a regulator, creating the right preconditions for the market to pick the most efficient industries to flourish. This view, where competition policy with a ‘competition only’ focus is triumphing above industrial policy, had been in place since the 1980s (Wigger & Buch-Hansen, 2014).

However, previous sections have shown recent policy changes made in state aid, antitrust and foreign subsidies towards supporting EU industries in a selective, vertical fashion, picking ‘Euro champions’. These fields which are related to competition policy became an active part of an European industrial strategy aimed at promoting and protecting European industries. This renewed interest in industrial policy since especially the second half of the 2010s is surprising, because the Commission’s financial crisis response had been in favor of more competition and against protectionism, widely endorsed by the European Council and the capitalist class (Wigger & Buch-Hansen, 2014). Nowadays, the aim to create ‘Euro champions’ in the context of establishing ‘strategic autonomy’ and ‘technological sovereignty’ all have left their mark within these subfields. The industrial strategies which have been presented during the recent decade, altogether show the paradigm shift towards an EU industrial policy aimed at promoting and protecting European companies (European Commission, 2010; 2012; 2014b; 2017b). Whereas the industrials strategies from 2010 till 2017 did not mention ‘strategic autonomy’ or ‘technological sovereignty’, last year’s industrial strategy started to emphasize ‘’enhancing our strategic autonomy’’ and setting out ‘’its vision for how Europe can retain its technological and digital sovereignty’’ (European Commission, 2020d). This message was reiterated in their last industrial strategy, presented on 5th May 2021 (European Commission, 2021b).

This general trend in industrial policy has not been welcomed by everyone in Europe. Countries like Denmark, Finland, the Netherlands, Ireland and Latvia have all stepped on the brakes at some point (Bauer & Erixon, 2020) [9]. They are worried about the French-German leadership taken completely over control, leading to a focus on big-tickets for their industries, while putting aside the core features of the Single Market (Dutch Government, 2019b; 2021). These countries argue the paradigm shift will threat Europe’s openness by showing a tendency towards protectionism and a license to kill small and medium sized companies (Cerulus & Vela, 2017; Dutch Government, 2019b; 2021). Even worse for them is the fact that the Covid-19 crisis has brought Germany and France

[9] Also within Germany, there is a lot of critique from especially conservative economic circles (Hall & Mine, 2019; Vela, 2019b).

closer together (Cerulus & Vela, 2017). In this respect, Brexit has also further weakened the liberal coalition to accept more compromise to France and Germany (Vela, 2019b).

In short, while Vestager argues EU industrial policy does not undergo a reset or paradigm shift, but a ''reboot'': updating the tools we need to achieve the benefits of competition, the worries about a more state-interventionist approach to EU industrial policy do certainly have a point (Vestager, 2020b). Last month, the Commission even carried out a ''bottom-up analysis'' where it identified 137 products in strategic value chains in which the EU is highly dependent from (European Commission, 2021f). This is of course related towards the question of reshoring production back to Europe in light of the Covid-19 pandemic (Schmitz, 2020). A few years ago, these ideas would be unpopular and out of question. While France has always advocated for an active EU industrial policy, the EU top priority has been building, open and competitive markets with strict controls on public subsidies for a long time (Hall & Mine, 2019). US technological supremacy and Chinese advances have forced a rethink in Europe and especially among the Germans. This has led them to align with France (even more after the Covid-19 pandemic), leading the EU to use competition control to strive for an industrial policy based on promoting and protecting European companies.

All in all, this indicates that these changes in policy orientation entail a paradigm shift towards a more state-interventionist approach to promote and protect EU industries, because the regulation in these specific areas has started to become informed by a radically different sets of ideas and problem focus (Hall, 1993). Competition policy started to focus on concepts such as 'technological sovereignty' and 'strategic autonomy' to solve the problem of a lack of 'Euro champions', heading away from the neoliberal 'stringent competition focus' since the 1980s.

5: Conclusion and discussion

This thesis sought to explain the origins and causes of the paradigm shift from a neoliberal stringent competition only focus in industrial policy, towards using competition control again as an industrial policy to protect and promote EU industries in state aid, antitrust and foreign subsidies. Building on the theoretical implications of the Gradual Change Framework (GCF), the empirical evidence suggests that the main causes for the paradigm shift towards a more state-interventionist industrial policy to promote and protect EU industries can be found in both endogenous factors (the changed German standpoints), exogenous factors (the economic rise of China) as well as a critical juncture (the Covid-19 pandemic). This becomes particularly evident when evaluating the policy changes separately, which confirms to draw conclusions about a clear pattern across these policy fields. State aid policy and in particular the broadening use of IPCEIs have mainly been pushed by the French-German axis consisting of an interest alignment between state representatives and domestic industries, which demanded industrial policies to cope with the Chinese economic expansionism. The same causal mechanism can be identified when considering the introduction of the DMA to combat digital platforms from outside Europe in antitrust. While the use of interim measures occurred due to *compliant* behavior by the Commission (i.e. dusting off an already established regulation), this decision was also stimulated by the same French-German axis, feeling threatened by Chinese and US technological supremacy in certain sectors such as platform development, 5G technologies and control over data. The introduction of the legislative proposal to address the distortive effects of foreign subsidies within the internal market was also gradually established due to the same endogenous properties, but in this case, the Covid-19 pandemic convinced the last Member States to align to with a more state-interventionists policy. Observing the changes in state aid, antitrust and foreign subsidies coherently, we conclude that a paradigm shift in industrial policy towards a more state-interventionist industrial policy where competition control is used as an industrial policy to protect and promote EU industries in a selective and vertical fashion is happening. Previously, policies that favored industries were mostly of a horizontal, across the board nature. Hence, the strategic employment of industrial policy revealed here constitutes a major turnaround.

This thesis has contributed to the ongoing academic discussion in several ways. First of all, it answers the often-discussed question of whether a paradigm shift in EU industrial policy has taken place, concluding that such a change is indeed happening towards a more state-interventionist policy which aims at protecting and promoting EU industries. Furthermore, it discusses recent publications that have hardly been treated before in academic literature, such as the Digital Markets Act proposal published in December 2020, the proposal to regulate distortive effects of foreign subsidies and the revised Industrial Strategy of May 2021. In addition, both the theoretical and the empirical work cover relevant dimensions: endogenous as well as exogenous events that led towards institutional change in the policy field have been discussed. Moreover, the GCF allowed us to look at the historical legacies that contributed to institutional change in the different fields since

2010, and by not solely focusing on abrupt discontinuous changes, the framework also shapes place for gradual, subtle changes that can be set in motion by agents not only during a crisis, but also in periods of stability. Nevertheless, critical junctures still remain important as we have seen in the context of foreign subsidies. Regarding the policy changes in the field of antitrust, we have seen that institutional change can also happen if the gap between rules and enforcement is *closed* (i.e. already established rules are used again after an absence of 15 years) by institutional power holders, instead of *opening* the gap between new rules and enforcement by neglecting these new rules as the GCF suggests. At last, it is important to note that the ideal (the alternative framework based on 'strategic autonomy' and 'technological sovereignty') and the material (the economic power of China and the German industrialists) realm have both been discussed when explaining institutional change.

Process-tracing and interviews have been well suited in the historical institutionalist approach which primarily aims to find sequence evidence. The extensive analysis is substantiated on the basis of a large number of documents by a variety of agents. Especially by taking a large time-horizon, a detailed analysis was conducted, which also gives high confidence in the conclusions of this thesis. Nonetheless, there do remain some possibilities for further improvement. First of all, on the theoretical level, we have seen that our extended GCF experience difficulties in explaining how Member States privileges some industrial agents and their ideas about strategic autonomy above others. Our GCF can show how material effects unpack negatively over time and trigger social forces to persuade the Member State to take policy action, showing where these social forces emanate from and why they take certain standpoints. When an alternative framework and ideology is presented while keeping control over the timing of institutional reform, Member States are more likely to push for institutional change. However, whether, how and importantly, why social forces (such as industrial associations) are able to persuade states remains unclear in this GCF. A further theorization, notably of the interface between the state and social forces emanating from the organization of production and capital accumulation would enhance our explanatory approach.

Besides, the focus on other facets of industrial policy can give a more comprehensive view of a paradigm shift in industrial policy. For instance, investments funds (InvestEU), fiscal rules (Stability and Growth Pact) and climate policies (Green New Deal) all influence EU industrial policy, but are not addressed in this thesis. These terrains need to be explored further, because they constitute a major pillar in industrial policy which are all pointing towards a paradigm shift. For example, recent developments in fiscal policy suggested the adoption of a "golden rule" that excludes public investment from the restrictions on public deficits (Pianta et al., 2020). The adoption of a "golden rule" would allow a significant reduction of austerity in public budgets and can be a feasible way for giving new priority to investment expenditures associated to industrial policy (Pianta et al., 2020). Moreover, due the Covid-19 pandemic, the Commission recently updated their fiscal policy response, allowing governments to spend beyond the Stability and Growth Pact (European Commission, 2021h). Apparently, signs of a more active EU industrial policy are also streamlined in other policy fields such as the above-mentioned fiscal policy. Therefore, it could be useful to conduct more coupled and coherent research, bringing all the policy fields which have an effect on industrial policy together.

On the methodological level, explaining-outcome process tracing made it possible to include extensions of the GCF in our explanation, such as the above-mentioned *closed* gap between enforcement and interim measures rules. Process-tracing made us committed to explore an extensive number of documents, but these documents drafted by mostly public authorities (reports, manifests, press releases, non-papers, etc.) all act through 'transparency by choice' which could influence our results. Furthermore, reports from expert committees such as the ECIPE may seem guided by expertise and a-political knowledge, but could be biased towards pro-industrial policies. To minimalize deducting our results on biased reports and 'transparency by choice' communication from public authorities, further research should strive to cover as diverse a variety of reports as possible.

It remains questionable whether or not these traits of a more state-interventionist policy will benefit the European economy as a whole and above all, labor and society at large. Several disadvantages can be distinguished. First of all, the broadening use of IPCEIs, the assertive antitrust policy against US and Chinese tech giants and the regulation of distortive effects of foreign subsidies are all policy changes which stimulate more economic concentration among big European companies within the internal market to combat with the Chinese and American companies. This definitely impacts the competitiveness of small and medium sized companies, the backbone of the European company where most of people work. Secondly, all these policy changes can hamper innovation, because non-EU investors could be deterred by the pro-European focus in state aid, antitrust and foreign subsidies. Thirdly, the proposals in antitrust and foreign subsidies will lead to even more power to the Commission in this field. Until today, the Commission remains an unelected entity, and the proposals being made in recent months would entail more enforcement power for the unelected Commission.

In conclusion, some have gone even so far to mention that Europe is heading towards a 'central planning economy'. While this view might be exaggerated, free-market liberalism seems to be on the decline. Just like after the Second World War when European companies were facing harsh competition from much larger and technologically more advanced US companies, it seems like Europe is again heading towards a more state-interventionist industrial policy to create 'Euro champions'. The future will tell whether Europe will regain its competitiveness by creating their own 'Euro champions' in strategic value chains, as was envisaged in recent industrial strategies.

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Appendices

Appendix 1: Interview guide (State Aid case support and policy)

Introduction

-Explaining the role of interviews in my thesis

-Recording the interview

-Structure of the interview

-Any questions?

General questions

- Can you tell me a bit more about your job at DG Comp?

(1): Changes in EU state aid policy

General:

1. According to you, what are the most important developments in EU state aid policy during the past 10 years?

2. What are the differences in how the Commission (and DG COMP) adapted its state aid policy after the financial crisis if you compare it to the Covid-19 crisis?

(2): Important Projects of Common European Interests (IPCEI):

3. What were the considerations in establishing IPCEI framework in 2014? Which agents where in favor, which were against?

4. What external factors (from outside the EU) are at the root of the changes in European state aid policy, and specifically the expansion of the IPCEI instrument?

5. Has there been a shift in the balance of power within the EU that has contributed to the broadening of the IPCEI instrument?

6. What are the motivations of countries that have specifically focused on the further application of industrial alliances and IPCEIs since 2018?

6. A: To what extent have these countries been able to convince other agents (e.g. the European Commission, national actors, other Member States) of the IPCEI instrument? How did these agents, such as the traditionally liberal countries become convinced?

6. B: To what extent has the German presidency of the Council provided an impetus to further broadening of IPCEIs?

7. To what extent have Member States and the European Commission been influenced in their position on the IPCEI instrument by lobby and interest groups?

8. What is the initial position of the European Commission and DG COMP on IPCEIs? Has this position changed in the past decade?

9. Do you think the IPCEI instrument is used in a way to promote and protect European industries in the light of obtaining 'strategic autonomy' and 'digital sovereignty'?

10. Do you think a paradigm shift is happening in EU state aid policy towards a policy based on promoting and protecting EU industries?

Closing the interview

11. Do you think I forgot to ask some relevant questions about EU state aid policy and IPCEIs?

12. Thank the interviewee and closing the interview

Appendix 2: Interview guide (Head of Taskforce Third Country Subsidies)

Introduction

- Explaining the role of interviews in my thesis

- Recording the interview

- Structure of the interview

- Any questions?

General questions

- Can you tell me a bit more about your job at DG Comp?

(1): FDI Screening framework

13. How did the Member States looked upon a joint FDI screening framework which was proposed in 2017? Which countries were in favor and did Member States changed their mind about this over time?

14. Why was this initial FDI screening framework proposal watered down to a version where the Member states had a final say on foreign acquisitions?

(2): Proposal to regulate distortive effects of foreign subsidies:

15. How was the Commission proposal to tackle foreign subsidies established?

16. What external factors (from outside the EU) are behind the introduction of this proposal?

17. Has there been a shift in the balance of power within the EU that has contributed to the development of this Commission proposal?

18. What are the motives of countries that have specifically focused on the preparation of this Commission proposal?

19.A: To what extent have these countries been able to convince other actors of this legislative instrument?

19.B: To what extent has there been opposition to the introduction of this instrument from Member States?

20. To what extent have countries and the European Commission been influenced in their position on this instrument by lobby and interest groups?

21. What has been the effect of the Covid-19 pandemic on this subject?

22. Do you think the foreign subsidies proposal is used in a way to promote and protect European industries in the light of obtaining ‘strategic autonomy’ and ‘digital sovereignty’?

23. Do you think the proposal to regulate distortive subsidies is part of a broader paradigm towards an industrial policy based on promoting and protecting EU industries?

Closing the interview

24. Do you think I forgot to ask some relevant questions about foreign subsidies?

25. Thank the interviewee and closing the interview