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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Executive Summary of the Roundtable on Pro-competitive Industrial Policy

**Annex to the Summary of Record of the 143rd meeting of the Competition Committee held on
12-13 June 2024**

12 June 2024

This Executive Summary by the OECD Secretariat contains the key findings from the discussion of the Roundtable on Pro-competitive Industrial Policy held during the 143rd meeting of the Competition Committee on 12-14 June 2024.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

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Executive Summary of the Roundtable on Pro-competitive Industrial Policy

By the Secretariat¹

On 12 June 2024, the OECD Competition Committee held a meeting to discuss how to promote pro-competitive industrial policy. Considering the background note prepared by the OECD Secretariat, the written contributions, and the discussion, the following key points emerged:

1. The resurgence and expansion in industrial policy are driven by the need to address urgent and complex societal challenges while seizing emerging opportunities to foster inclusiveness and resilience.

Broadly defined, industrial policy is a set of government interventions intended to structurally improve the performance of key sectors of the economy. This broad definition includes a large set of instruments, excluding macroeconomic policies like fiscal and monetary measures, which target the business cycle rather than the structural performance of the business sector. In other words, industrial policy is government action that explicitly seeks to transform the structure of economic activity to pursue a specific goal (e.g., growth, defence, energy transition). A vast range of instruments may help achieve this, including, but not limited to, direct measures that include public spending, for example, on research and development projects, such as grants, subsidies, and tax incentives.

Over the past few years, there has been a resurgence in the interest and utilisation of industrial policy by governments. Several factors have compelled governments to intervene more actively in shaping industrial outcomes, including global crises, technological advancements, climate change, and geopolitical tensions. Thus, while industrial policy traditionally focused on objectives such as economic growth, productivity, and competitiveness, today, the focus has expanded to include resilience, strategic autonomy, reducing inequality, and supporting the climate and digital transition. The complexity and urgency of these goals have led to advocacy for bolder policies that shape or create markets—and go beyond merely fixing market failures.

2. Competition and industrial policy are complementary policy tools. Combining the two policies can foster innovation and productivity and contribute to a more dynamic and resilient economy.

Competition policy and industrial policy are not substitutes. One cannot achieve the results that the other can deliver. The two policies are complementary and can contribute to increasing innovation and productivity. When effectively combined, competition and industrial policy can foster a virtuous cycle. Industrial policy interventions are more effective when deployed in competitive markets and designed to preserve or increase competition, thus leading to, for example, an increase in productivity growth. Industrial policy can also address market failures and improve the functioning of markets, benefiting competition. The most effective industrial policy supports and intensifies competition by targeting strategic sectors. Well-designed industrial policy contributes to productive and allocative efficiency by ensuring the competitive supply of inputs and fostering investment,

¹ This Executive Summary does not necessarily represent the consensus view of the Competition Committee. It does, however, encapsulate key points from the discussion, the delegates' written submissions, and the panellists' presentations.

innovation, and technological adoption. Industrial policy and competition may also further contribute to industrial competitiveness, either from a short-term or long-term perspective—particularly when markets alone are unlikely to produce efficient outcomes, including prices, output, quality, or innovation. For example, markets may fail to deliver efficient outcomes when certain externalities are present, such as market power or informational asymmetries. Thus, public intervention may lead to more efficient outcomes that foster productivity and competitiveness.

However, if industrial policy is not well-designed, it can undermine competition and competitiveness (e.g., misallocating resources, undermining contestability, and distorting competition by picking winners and losers in the market). Thus, competition principles are the cornerstone of well-designed industrial policy ensuring pro-competitive outcomes. As such, competition agencies play a crucial role in advocating for the effective design of successful industrial policy and warning against poorly designed instruments with secondary anticompetitive effects.

Competition enforcement helps industrial policy goals by ensuring markets are as competitive as possible, which provides a strong baseline for successful policy implementation. Competition keeps markets contestable and thus may increase industrial policy's effectiveness. Beyond acting as competition advisors to help design effective industrial policies and ensuring markets stay competitive through enforcement, support by competition authorities of industrial policy goals can take place in various forms. For example, enforcement could be more pronounced in industries that are key to industrial policy objectives. Enforcement could, for example, be prioritised or even slightly adapted in those industries. In merger review, for instance, efficiencies could play a larger role as part of the competition assessment. In the context of co-operation agreements, authorities may provide clarity on what types of co-operation agreements are problematic or not from a competition perspective. For example, in the context of sustainability agreements, clarity as to what co-operation agreements are in line with competition law may help incentivise beneficial co-operation.

3. There was consensus that the design of pro-competitive industrial policy requires a long-term perspective, caution, conditionalities, and guardrails.

Industrial policy seeks to realise potential efficiencies and promote long-term competitive advantages and economic growth. As such, its design requires a strategic long-term view of the full set of consequences that may result from a policy, which has added importance due to the potential for long-run consequences. Moreover, when designing industrial policy instruments, it is important to keep in mind that no detail is inconsequential. Given that not all problems can be identified before a policy is implemented, policies should be designed with an eye to continuous monitoring, including the ability to evaluate the policy at any time to redesign and restructure accordingly.

The process of industrial policy design is also a key driver of successful policy outcomes. If the process is well-designed, and strategic collaboration between the public and private sectors is envisioned as part of the process, this can facilitate problem solving over time. Effective policy design includes ensuring that neutrality is at the core of policy design. This includes competitive neutrality, such as providing equal business opportunities to large, middle, and small-scale business actors and fostering technology-neutral goals. A way to ensure neutrality is by involving as many stakeholders as possible when designing policy, including not only competition authorities but also the private sector (both market participants and potential entrants), academia, and civil society. Further, given that some policies may be more problematic from a competition perspective than others, many participants underscored that the OECD's Competition Assessment Toolkit provides a helpful starting point to help governments assess less restrictive measures that still achieve

the same policy objectives. In this connection, four questions were identified as helpful in guiding the design and implementation of industrial policies: First, what are the goals of the initiative in question? Second, what are the means to effectuate the goals? Third, is there proportionality between the means and the goals? Fourth, how is it working?

Lastly, it may be effective to combine different instruments when creating a pro-competitive industrial policy. For example, in effecting innovation for climate neutrality, it may not be sufficient to limit policies to research and development tax credits. Where new technologies may need to overcome externalities like lock-in effects from previous technologies, combining supply-side instruments with demand-side instruments, such as public procurement, to create demand for more environmentally friendly programs may ensure better results. Coherence should, however, be foremost when designing policies and combining instruments.

4. A holistic approach between government regulators and public bodies, including competition authorities, is crucial when effectuating competition and industrial policy.

Competition policy and industrial policy are complementary and thus need to be consistent with each other. Industrial policy is multifaceted, and there are many ways in which it can be achieved. An important way in which competition authorities continue to support pro-competitive industrial policy is through competition enforcement to ensure that markets remain as competitive as possible. Moreover, competition decisions may have industrial policy consequences. Thus, co-ordination amongst different regulators, policy bodies, and competition authorities ensures pro-competitive and coherent long-term outcomes. Indeed, many decisions that competition authorities take, even in standard merger inquiries, may shape markets and thus will have long-run consequences.

In some instances, competition authorities are the ones effectuating industrial policy. Thus, where industrial policy is implemented through competition decisions, a dynamic long-term perspective of potential effects should be adopted. Other tools, in addition to traditional enforcement, may also help competition authorities enhance the application of pro-competitive industrial policy. For example, market studies have proven to be a useful tool for competition authorities to understand how governmental policies have shaped the destiny of individual sectors and the firms that operate within them, which in turn may help the assessment of how to effectively respond, where needed, including via industrial policy or competition enforcement. In some jurisdictions, pro-competitive intervention powers that allow the competition authority to take targeted measures, even absent a competition infringement, have recently been introduced. Although few authorities possess such legal powers, an increasing number are proposing their adoption. These powers could help pursue industrial policy objectives.

Competition authorities are increasingly faced with questions that were not traditionally part of their remit, from environmental to labour issues. Thus, competition authorities will benefit by being mindful of the implications of these issues related to industrial policy and competition. In sum, a holistic approach between different parts of government is crucial when setting up and implementing industrial policies. Actively involving competition authorities in the design of industrial policy is likely to drastically improve its efficacy, including due to competition authorities' market expertise. In turn, competition authorities will benefit from continuous engagement, co-ordination, and co-operation with different regulators and policy bodies to understand what other considerations may affect whether the relevant markets are sufficiently competitive.