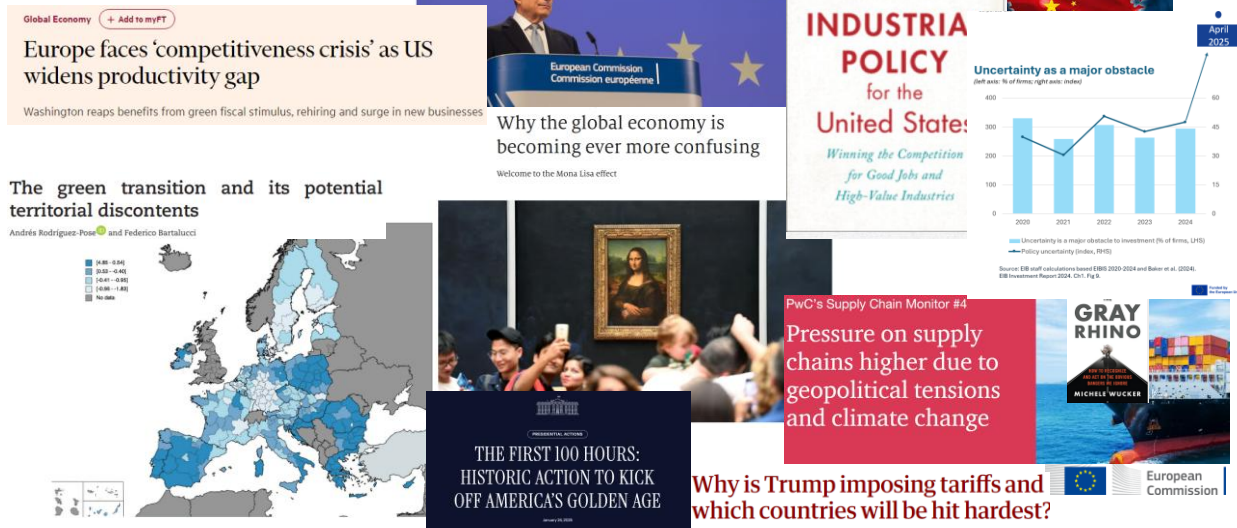
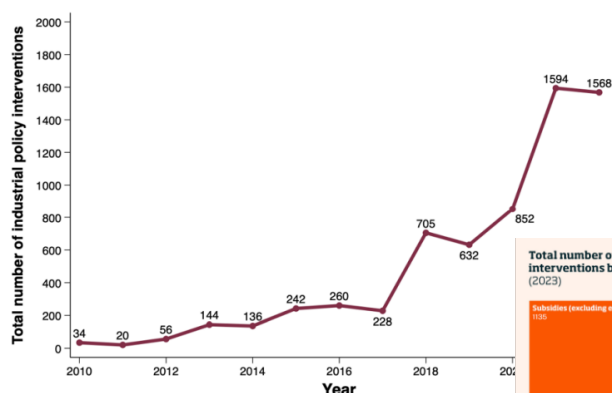


## Backdrop



1

## And let's not forget this!



Source: Juhász, Lane and Rodrik (2024) "The New Economics of Industrial Policy", *Annual Review of Economics*, Vol. 16:213-242, <https://doi.org/10.1146/annurev-economics-081023-024638>



Source: Wolf, "How not to do industrial policy", FT, 18 June 2024



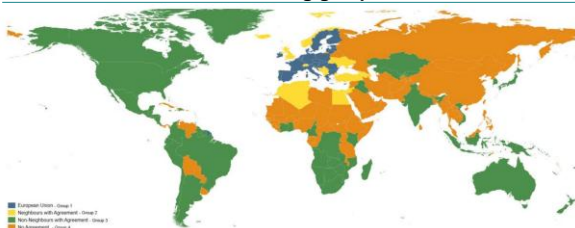
Source: What is industrial policy and why does it matter?, IMD, 26 August 2024



2

## Tectonic shifts in supply chains

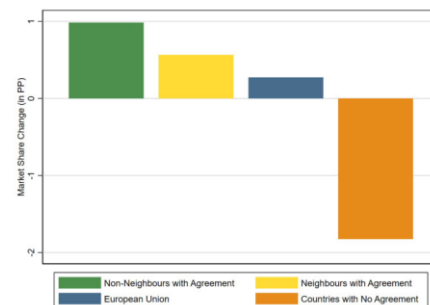
Distribution of countries in trading groups



Source: Own classification based on information on the various trade cooperation agreements of the EU. These include countries with trade agreements that may be in place or provisionally applied, as well as those countries that recently signed Raw Material Partnerships or signatories of the recent 2022 Joint Statement on Cooperation on Global Supply Chains. Besides the UK and EFTA countries, EU neighbours are identified based on information regarding European Neighbourhood Policy and Enlargement available: [https://neighbourhood-enlargement.ec.europa.eu/countries\\_en](https://neighbourhood-enlargement.ec.europa.eu/countries_en).

**Source:** Arjona, Connell, and Herghelegiu (2025), SMEP Paper Series

Changes in EU import market shares across trading groups from 2021 to 2023



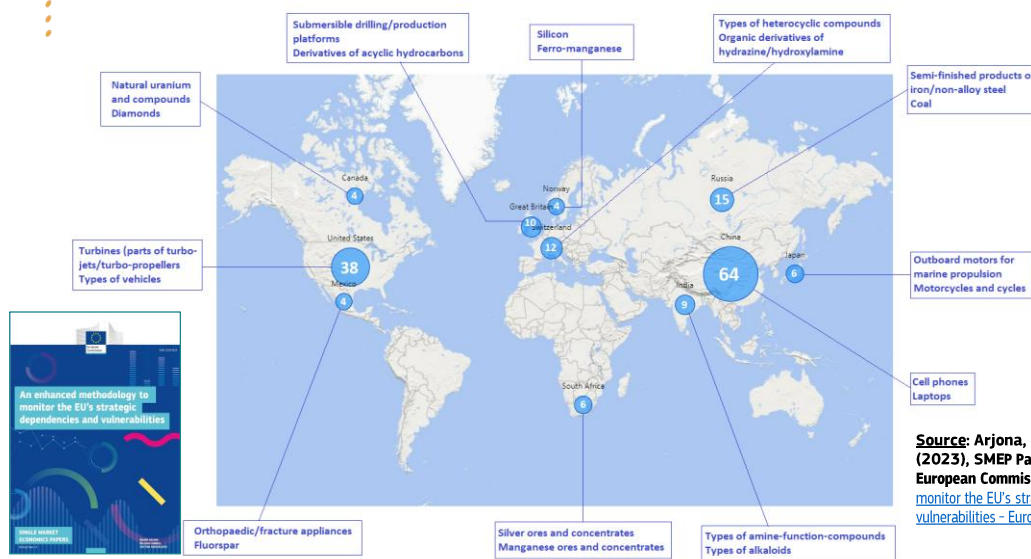
Source: Own calculations based on Eurostat-Comext. Note that energy related products have been excluded. The graph above shows the changes in market shares held by various trading groups in EU imports from 2021 to 2023 excluding energy related products, measured in percentage points (pp).

**Source:** Arjona, Connell, and Herghelegiu (2024), SMEP Paper Series WP28, DG GROW, European Commission: [Supply Chain Tectonics. Empirics on how the EU is plotting its path through global trade fragmentation - European Commission](#)



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## Strategic dependencies (in terms of number of products)



**Source:** Arjona, Connell, and Herghelegiu (2023), SMEP Paper Series WP14, DG GROW, European Commission: [An enhanced methodology to monitor the EU's strategic dependencies and vulnerabilities - European Commission](#)

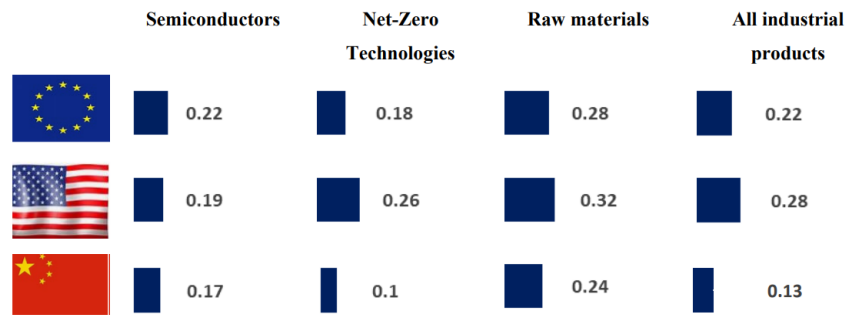


4 - GROW AI

4

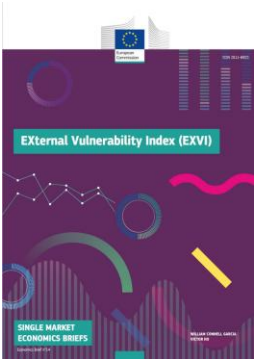
# External vulnerabilities in supply chains

External Vulnerability Index (EXVI) across strategic supply chains: EU, China and United States



Note: EXVI scores: 0= low vulnerability, 1=high vulnerability;  
Source: European Commission, based on the latest BACI database (2022).

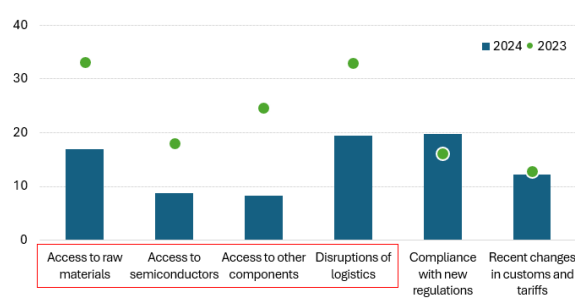
Source: Connell and HO (2025), SMEP Economic Briefs, DG GROW, European Commission  
Commission: [External Vulnerability Index \(EXVI\) - European Commission](#)



5

# Supply chain distress

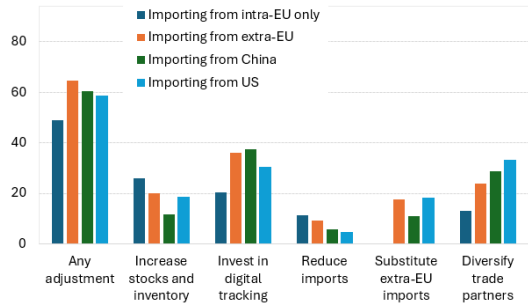
Major trade related obstacles for importers  
(% of firms, EU importers)



Source: EIB calculations based on the SUCH survey using the EIBIS sample of 2023 and 2024. Note: Firms are weighted by value added



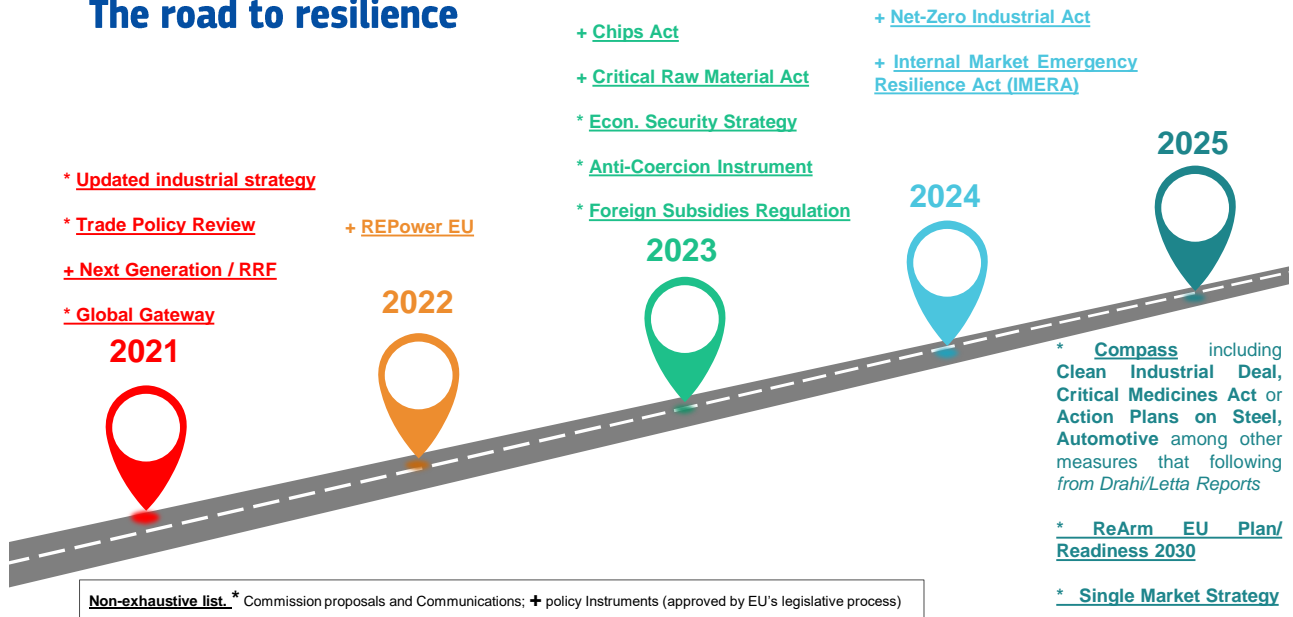
Adjustments, by origin of import  
(% of importers, 2024)



6

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## The road to resilience



7

## Conclusion

### Diagnosis

- Very high levels of **systemic uncertainty** and **policy volatility** worldwide
- Industrial policy is witnessing a **renaissance**
- Supply chains are undergoing a **fast and profound reallocation**

### Essential that we:

- Equip to **understand the impact** of changes, and **policy** (in) actions
- Urgently address **barriers** and **weaknesses** that hold competitiveness back
- Identify **challenges and risks**, yet also **strengths** to build on

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