



The new economic nationalism: industrial policy and national security in the United States, China, and the European Union

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ABSTRACT

This paper examines the resurgence of industrial policy and national security strategy across the United States, China, and the European Union. We analyse how these major economic powers are implementing distinct approaches to industrial policy while pursuing similar objectives of technological leadership and national economic prosperity. The United States has adopted a hawkish stance with extensive trade policies and subsidies. China has pursued ambitious growth in a range of sectors through long-term planning and strong government control. The European Union has balanced autonomy with trade openness and somewhat less state intervention. Our comparative analysis reveals that while these policies may be successful in strengthening domestic economies, they collectively reshape the world economy in ways that may disadvantage other nations, especially in the global South. However, ‘connector’ countries in the global South are benefitting by forging strategic ties with several superpowers. Additionally, the rise of China gives hope for South-South development cooperation that upend existing imperial arrangements often characterised by North-South relations. We argue that the convergence of industrial policy and national security represents more than a temporary response to recent disruptions; it signals a fundamental shift in the world economy towards more economic nationalism.

1. Introduction

The global economy is witnessing a significant shift as industrial policy increasingly intersects with national security strategy. This convergence, driven by geopolitical tensions, supply chain vulnerabilities, and technological competition, marks a departure from decades of free-market-oriented economic policies that dominated much of the post-Cold War era. While industrial policy has historical precedents, its current manifestation is distinctly shaped by national security concerns in ways that fundamentally reshape global economic relations.

This paper examines how three major economic powers — the United States, China, and the European Union — are implementing industrial policies through the lens of national security. We argue that the global economic shift currently taking place represents a return to neomercantilist ideas and economic nationalism, where economic development and national security are viewed as intrinsically connected. The rise of China as a global manufacturing powerhouse, supply chain disruptions arising from the COVID-19 pandemic, and intensifying technological competition have contributed to this shift, leading to policies aimed at securing supply chains, protecting/developing

strategic industries, and maintaining technological advantages.

Our analysis reveals how each region approaches this kind of industrial policy differently. The United States has adopted an increasingly hawkish stance, implementing extensive controls on imports and exports, and massive domestic subsidies in strategic sectors, particularly in semiconductors and other emerging technologies. China has integrated national security considerations into its development strategy while pursuing technological self-sufficiency and global technological leadership, exemplified by initiatives like Made in China 2025. In China’s case, the commitment to industrial policy has been more persistent over a long time horizon compared to the other two regions. The European Union has chosen a more measured approach, balancing open trade with strategic autonomy through targeted investments and regulatory frameworks. The more cautious approach to industrial policy in the European Union explains, to some degree, why the region is falling more clearly behind the other two rivals in some key industries. However, the European Union has changed course slightly after increasing geopolitical turbulence marked by the second Trump administration. In particular, Europe has shown a greater commitment to industrial policy through defence-related spending.

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These parallel but distinct approaches have significant ramifications for the global economy. While industrial policies can catalyze innovation and development, one country's industrial growth can result in another country's industrial stagnation. In the current economic climate, the industrial policy renaissance we are witnessing in major economies especially impact the industrialization prospects of lower-income countries: these countries simply don't have the same economic muscles to launch competitive industrial policies, and may therefore see their industrial capabilities erode or fail to grow. However, if we look at this issue from an international development perspective, there is cause for some optimism. First, we should celebrate China's economic success and domestic contribution towards eradicating global poverty — this country was among lower-income countries not too long ago. Second, China's rise represents a welcome change to the established international economic order with the global North at the very top of the hierarchy. The rise of China gives hope for South-South development cooperation that upend existing imperial arrangements often characterised by North-South relations.

The paper proceeds as follows: First, we examine the theoretical foundations linking industrial policy and national security, tracing the historical evolution of economic nationalism and its contemporary relevance. We then analyze how this relationship manifests in the United States, China, and the European Union, examining key policies and their rationales. The time period for each case mostly overlaps but starting points are slightly different seeing that, in each case, the turn towards more economic nationalism started at different points in time. Our analysis of the three cases reveals both commonalities and differences in how each region balances economic development with national security imperatives. Finally, we consider the global economic ramifications of this new wave of economic nationalism, particularly its implications from an international development perspective.

2. Industrial policy as national security strategy

Industrial policy and national security strategy share common features. At its most fundamental level, industrial policy can be understood as strategic government intervention in order to develop the domestic economy, often with the aim of growing innovative, productive, and high-value activities (Chang, 1994; Hauge, 2023; Juhasz et al., 2023; Pack & Saggi, 2006; Rodrik, 2008). Industrial policy aims to promote national economic development, help domestic firms and industries become internationally competitive, and secure national economic sovereignty and independence (Ahumada, 2023). In this sense, industrial policy is, by definition, partly about national security.

Industrial policy and national security strategy intersect heavily through the ideas of neomercantilism. Building on mercantilist ideas from the fifteenth to eighteenth centuries, neomercantilism emerged in the context of industrialization and the modern world economy. It postulates that if countries want to increase their wealth, ensure their economic independence, and enhance their industrial competitiveness in the world economy, they should look to generate trade surpluses through the active use of industrial and trade policies (Helleiner, 2021).

Neomercantilism and economic nationalism have been shaped especially by the 'American school' through scholars and policy makers such as Alexander Hamilton, Henry Carey and Friedrich List (Ahumada, 2023; Helleiner 2021). This school of thought takes heavy aim at the virtues of free trade, arguing that protectionist policies, especially in the manufacturing sector, are essential for generating national economic wealth. Moreover, it sees national economic wealth, national security and national independence as intrinsically connected (Carey, 1869; Hamilton, 1934 [1791]; List, 2005 [1841]). As Alexander Hamilton (1934 [1791]) (from Ahumada, 2023, p. 1043) put it: "Not only the wealth; but the independence and security of a Country, appear to be

materially connected with the prosperity of manufactures." Hamilton's writings and political activities in the late eighteenth century laid the basis for an economic nationalist strategy in the United States throughout the nineteenth century. This focus on industrial policy as national security strategy was vital in the United States' quest to catch up economically with Great Britain and become more economically independent (Hauge, 2023).

These ideas also have intellectual roots outside of the American school. In East Asia, Fukuzawa Yukichi, the Japanese educator and writer, had an important influence on the strategic use of protectionist policies during the Meiji Restoration in Japan (Helleiner, 2021). His ideas were also admired by South Korea's head of state, Park Chung-hee, who led a state-led development strategy in the late 1900s. In Africa, Kwame Nkrumah, Ghana's first prime minister and president, argued explicitly that economic development and industrialization should be understood as a strategy not only to build national economic wealth, but also as a strategy to provide the material basis for national freedom, economic security and economic independence from colonial powers (Nkrumah, 1974). Nkrumah was especially inspired by the Pan-African Movement, which sought to strengthen bonds and solidarity among African people as well as challenge European imperialism in Africa. The idea of industrial policy as a strategy to strengthen national security and national economic freedom also has strong ties to Latin American dependency theory and structuralism. These schools of thought outline how the world economy is characterised by a system of international trade that favours the global North (the core) at expense of economic development in the global South (the periphery). For the periphery, strategic industrial policy is vital to achieve national economic freedom and security, according to dependency theory (Prebisch, 1981; Cardoso & Faletto, 1979).

We see, then, that industrial policy as national security strategy has been around for centuries. In recent decades, though, the centrality of state intervention has gone through volatile swings. The period of neoliberalism starting in the 1980 s and the global influence of politicians such as Ronald Reagan and Margaret Thatcher saw a decline in the use of industrial policy globally. Even international organizations effectively outlawed industrial policy through the enforcement of free trade agreements and structural adjustment programmes (Chang, 2007; Gallagher & Kozul-Wright, 2022; Wade, 2003).

However, since the 2010 s, industrial policy has come back with force (Aiginger & Rodrik, 2020; Cherif & Hasanov, 2019; Juhasz et al., 2023; Stiglitz et al., 2013). There are several interrelated reasons for this (see Evenett et al. (2024) for a detailed discussion): 1) free-market orthodoxy has become less popular after the financial crisis in 2008; 2) high-income countries have experienced job losses and regional inequality due to deindustrialization; 3) climate change has fuelled many governments to more actively launch green industrial strategies; 4) supply chain vulnerabilities have become more apparent after the COVID-19 pandemic, and 5) geopolitical tensions and economic nationalism have intensified. The latter two reasons warrant special attention as particularly important factors (and they also incorporate elements of the former three to some degree). Additionally, they are explicitly related to national security concerns. Therefore, it is pertinent to analyse these two factors in light of this paper's focus.

The COVID-19 pandemic significantly disrupted globalization by exposing the fragility of complex global supply chains. When worldwide safety measures were implemented, business closures and changing consumption patterns revealed how interconnected modern production has become, with single products often requiring the involvement of dozens of businesses worldwide (Hauge, 2023). The pandemic's impact on the global economy was severe, with trade in goods falling by 10 % and foreign direct investments dropping by 35 % in 2020 (UNCTAD STAT, 2025). Russia's invasion of Ukraine further highlighted these

vulnerabilities. Physical blockades, destruction of Ukrainian productive capacity, and economic sanctions on Russia led to global price increases in key commodities like oil, natural gas, wheat, and fertilizer (World Bank, 2023). This particularly affected countries dependent on imports from either nation.

While trade in goods have rebounded, these global disruptions have accelerated discussions about the future of globalization. Experts and international organizations are suggesting that these disruptions will strengthen trends toward regionalization and reshoring of production (Baldwin & Di Mauro, 2020; Foroohar, 2024; UNCTAD, 2020). In this push for greater supply chain resilience, industrial policy is already playing an active role across the world (Evenett et al., 2024).

Similarly, geopolitical tensions and economic nationalism are moving the needle across the globe towards more active use of industrial policy. Part of this is of course due to supply chain shocks, as discussed above, but part of it is also due to growing political and economic rivalries. The rise of China as a global superpower has been an important driver of this. China is capturing major market shares across a range of global industries, is becoming an important investor globally, and is forging economic and political partnerships across the global South. In some economic sectors, China has become highly dominant in a short period of time. For example, in 2000, China accounted for only 6 % of global manufacturing. In 2022, this share stood at 31 %. This number is projected to climb to 45 % by 2030, dwarfing all other nations (UNIDO STAT, 2024). China's global rise has also been a conscious political choice: the country actively adopted a more ambitious strategy of becoming a global force since Xi Jinping became the president in 2013. Furthermore, China's success with state capitalism and industrial policy over a long period of time has helped usher in a belief that the state is vital in shaping economic development trajectories (Alami & Dixon, 2024; Naughton, 2022), adding to the idea worldwide that industrial policy is worth pursuing.

The speed of China's rise is creating tensions with existing global powers, especially the European Union and the United States. These are two regions noticeably ramping up industrial policy and national security policy in response to China's rise. The European Union has chosen a measured approach compared to the United States, balancing open trade with strategic autonomy. The United States' approach to economic rivalry with China is explicitly hawkish. Both economic competition and ideological differences play a part in this. In the economic sphere, trade imbalances, technological rivalries, and foreign investment rivalries have been contentious issues between the two nations. In the political sphere, global governance rivalries, regional security issues (e.g. Taiwan) and military rivalries have sparked tensions. Schindler et al. (2024) highlight rising competition between the two nations in range of 'networks', including infrastructure, digital, production, and finance networks. Given the range of rivalries existing now between China and the United States, some have termed this battle between the two nations as the "New Cold War" or the "Second Cold War" (Brands & Gaddis, 2021; Niblett, 2024; Schindler et al., 2024). By now, anti-China rhetoric among the political class in the United States is widely considered a bipartisan consensus.

Worldwide, a new form of economic nationalism is clearly forming. While periods of state intervention and industrial policy have strong historical precedents (as discussed), what we are currently witnessing is a fundamental shift. At the ideological level, the clearest shift is a pronounced retreat from globalization and the liberal international order (Foroohar, 2024) — in the United States, for example, this ideological stance is an explicit hallmark of the current Trump administration. Economic policies are increasingly justified on national security grounds, e.g. via the push to secure control over critical minerals and strategic technologies (Miller, 2022; Riofrancos, 2025). We are seeing a decline in faith in traditional multilateral institutions like the WTO and

the IMF (Nievas & Piketty, 2025). The language of 'strategic decoupling' and 'strategic autonomy' is becoming more common, visible through efforts to reduce economic dependence on geopolitical rivals (and sometimes even traditional geopolitical allies) (Hauge, 2023).

At the policy/practical level, although international trade is not going into retreat, we are also seeing visible signs of the new economic nationalism. Protectionist policies are being reintroduced or increased to shield domestic industries from foreign competition. There has been a surge in government subsidies and incentives to domestic companies, particularly in green technology and digital-related sectors, often framed as building national resilience or achieving technological independence (Evenett et al., 2024). High-income countries are actively encouraging the return of manufacturing and strategic industries to their own countries through 'reshoring' or 'onshoring' (Pedroletti & Ciabuchi, 2023).

There is obviously a stronger overlap between industrial policy and national security measures, but we should not overstate the substantive influence of national security. The invocation of "national security" often serves as a politically palatable justification for industrial policies that might otherwise face domestic resistance or international criticism under international trade law. This rhetorical framing allows policy-makers to bypass ideologically charged debates about trade by appealing to existential threats, making protectionist measures more defensible both domestically and internationally. And, as our historical discussion on neomercantilism and economic nationalism has illustrated, the language of national security and economic sovereignty has been a staple for centuries in industrial policy debates.

However, dismissing national security concerns as mere legitimizing discourse risks underestimating how genuinely intertwined economic and security considerations have become in the contemporary global economy. The underlying dynamics we have discussed — such as technological leadership, supply chain dominance, and latecomer catch-up strategies — are not separate from national security logic but rather constitute its contemporary expression. The critical point is that national security has been reconceptualized to encompass a greater scope of economic vulnerabilities that were previously viewed as mostly commercial concerns. For instance, semiconductor shortages during the COVID-19 pandemic demonstrated how supply chain dependencies could create genuine strategic vulnerabilities, while China's advances in a range of high-tech industries represent both economic competition and potential military advantages (The White House, 2023). So, national security is not merely rhetorical window-dressing. Economic competition has become 'securitized': transformed from commercial rivalry into perceived existential threats requiring state intervention.

In the following three sections, we outline and analyse this new form of economic nationalism — specifically by looking at industrial policy as national security strategy in the United States, China and the European Union. In all three regions, we will see how economic concerns, security concerns, and geopolitical concerns are increasingly intertwined in their industrial policy strategies. Our analysis focuses on the policy aspect of industrial policy, rather than differences in political institutions and systems. However, this does not mean that the latter are not important — in fact, institutional variations profoundly shape both policy formulation and implementation in ways that extend beyond procedural differences. It is important that we recognize some of these variations before we proceed with our analysis.

China's single party system, strong state control, and centralized coordination enables policy continuity over an extended time horizon. It allows long-term strategic planning that can sustain massive investments across several cycles without electoral disruption. This institutional advantage manifests in China's ability to rapidly mobilize resources, coordinate across state-owned enterprises and government levels, and maintain consistent sectoral support regardless of leadership

transitions. It is, of course, not a given that this kind of authoritarian system is successful. Evans (1995), for example, distinguishes between predatory authoritarian states and developmental authoritarian states. China falls in the latter category, as the state has clearly achieved a high degree of public legitimacy through economic performance (i.e. performance legitimacy) rather than through national electoral procedures (Kuo, 2025).

Conversely, the bipartisan nature of the U.S. political system and their electoral cycles create significant vulnerabilities to policy reversals, as evidenced by contrasting approaches between the Democratic and Republican administrations. This can undermine strategic planning. In fact, it is challenging to firmly predict the direction of industrial policy in the United States seeing that the current administration (Trump) is explicitly distancing itself from most measures taken by the previous administration (Biden). However, as we will see, there has been a degree of consistency in policy stance across US administrations since roughly 2018, especially with respect to national security and the rise of China.

The European Union faces distinct challenges as a supranational entity, where consensus-based decision-making across member states with different economic priorities creates limitations in policy coherence and enforcement. These structural differences do not merely influence policy outcomes. They also fundamentally alter the logic and capabilities of industrial policy itself, creating distinct varieties of economic nationalism that reflect underlying political institutional arrangements. Additionally, there are important power asymmetries within the EU bloc that should be recognised. States such as France, Germany and Italy are able to have greater influence over the direction of industrial policy, and therefore more likely to reap its benefits, if successful.

Our analysis will now turn to the substance of the industrial policies themselves. The following three case studies examine the specific measures each region has adopted in pursuit of technological leadership, industrial competitiveness and economic sovereignty. We trace the evolution of key policies, their stated rationales, and their strategic objectives to understand how thinking around national security has translated into concrete industrial policy across these different contexts.

3. Industrial policy and national security in the United States

3.1. Policy overview

Industrial policy changes in the United States, led by national security considerations, became forceful and noticeable under the Trump administration's introduction of the National Security Strategy in 2017. The National Security Strategy emphasised the importance of economic security as a central component of national security. It centred around reducing the reliance on foreign supply chains and adversarial states gaining control over strategic assets such as semiconductor production, the electrical grid, and defence production.

The first step in the Trump administration's shift towards a national security-led economic strategy was to expand the remit of the Committee on Foreign Investment in the United States (CFIUS) to cover "national security concerns arising from certain non-controlling investments and real estate transactions involving foreign persons." (U.S. Department of the Treasury, 2024). In addition to screening inbound investments, this enabled the US government to more effectively screen outbound investments, focusing on the risk of critical knowledge transfer, such as sensitive intellectual property. The screening of outbound investments was the first indication of the expanding scope of national security to global trade, laying the groundwork for an extensive network of export controls to be implemented.

Government intervention under the national security umbrella continued in the form of an executive order, blocking Chinese telecommunications companies from selling equipment in the United States. Trump reasoned that "foreign adversaries are increasingly creating and

exploiting vulnerabilities in information and communications technology and services" (The White House, 2019). The executive order effectively banned American companies from trading with Huawei (Bureau of Industry and Security, 2019). A decision which received harsh criticism from the Chinese Ministry of Commerce: "China has emphasised many times that the concept of national security should not be abused, and that it should not be used as a tool for trade protectionism." (Xinhua News, 2019).

The Biden administration largely continued Trump's industrial approach, adopting a two-pronged approach. Export controls continued under the "small yard, high fence" (The White House, 2023) strategy, which aimed to place stringent export restrictions on a small number of advanced technologies while allowing the free trade of less critical technologies. Historically, export controls have been used to prevent weapons of mass destruction and dual-use goods from propagating to non-state actors, primarily under the Wassenaar Arrangement. Wassenaar was supported by 42 participating states, notably including Russia, aiming to strike a balance between national security concerns and export competitiveness (Wassenaar Arrangement, 1995). Under the first Trump administration, the use of export controls shifted, becoming a tool to restrict the development of other countries, primarily China in the semiconductor industry (Bureau of Industry and Security, 2022). These export controls also introduced new tools such as the *de minimis* ruling and foreign persons ruling, restricting technologies domestically and internationally. The additional regulations have started a new era of American policymaking, one which has become increasingly extraterritorial.

The domestic semiconductor industry received significant support. To further "derisk" from China, President Biden launched the CHIPS and Science Act, a \$50 billion investment in American semiconductor manufacturing, "so that Americans can compete in and win the future", ensuring supply chain security for semiconductors in the United States (The White House, 2022). The CHIPS Act has since allocated funds for the development of various fabs (factories for semiconductors) across the United States, most notably to Intel, TSMC, Micron, and Texas Instruments. The CHIPS Act has also led to significant private investment, totalling \$210 billion, contributing towards 50 new semiconductor ecosystem projects (Semiconductor Industry Association, 2023).

The prioritisation of national security in economic policy has not been limited to the semiconductor industry. In 2024, President Biden announced tariffs on a range of Chinese goods: steel and aluminium, semiconductors, solar panels, ship-to-shore cranes, medical equipment, electronic vehicles, and batteries (The White House, 2024). US importation of these goods represent American dependency on China with a clear national security effect. For example, if China curbs the export of solar panels to the United States, energy production and the green transition would be slowed. Ship-to-shore cranes have been placed under tariffs due to national security concerns regarding the possibility of Chinese cranes sharing sensitive American trade flow data with the Chinese government (Kardon, 2024). While varying in severity, the Biden tariffs aim to strengthen American supply chain security by discouraging Chinese alternatives to American goods.

Under the second Trump administration, the use of tariffs has proliferated across all import categories. But this time, it is being used more as a political tool to achieve various foreign policy objectives — such as stronger border control with Canada, China and Mexico — and less as an economic tool underpinned by strong industrial policy rationales. However, there are some tariffs that more clearly have an economic rationale. For example, Trump has reinstated and expanded tariffs on steel, aluminium, and automobiles to encourage domestic manufacturing in these sectors (The White House, 2025). Sweeping tariffs across all sectors are also an attempt to reduce trade deficits with various trade partners. See Table 1 for an overview of industrial policy and national security measures in the United States.

Table 1
Overview of Industrial Policy and National Security in the United States.

Policy/Event	Year	Description
National Security Strategy	2017	Establishes economic security as a core element of national security
Export Control Reform Act	2018	Broadens the scope of US export controls, specifically targeting knowledge transfers
Executive Order on Huawei	2019	Huawei is added to the Entity List, barring US companies/people from trade with Huawei
Export controls on semiconductor technologies	2022	Extensive additions to American export controls, including semiconductor machinery, US personnel, control over US intellectual property, and additional license requirements
CHIPS and Science Act	2022	\$280 billion for US semiconductor manufacturing and R&D
Strengthened export controls	2023	Reduced loopholes for exports
Tariffs on China	2024	Tariffs on various Chinese goods including but not limited to: EVs, steel, solar panels, batteries, and semiconductors.
Sweeping tariffs	2025	Sweeping and steep tariffs on a range of countries for several reasons: as a negotiation tool, to strengthen border control, to revive US manufacturing, and to reduce the US trade deficit.

Source: Authors' compilation

3.2. Analysis

The evolution of American industrial policy is driven by increasing competition from China, the perceived threat to national security from adversarial states, and the rapid advancement of technology. These factors contribute to the increasing expression of national security concerns in the United States.

China has become a peer adversary to the United States in two decades, growing from a developing country to the global centre for manufacturing advanced technologies. Outsourcing manufacturing to China has created various dependencies for the United States, posing direct and indirect national security risks (Miller, 2022). While the United States has supply chain dependencies with the European Union, the alliances with member states mitigate this risk. Outside of the supply chain risks, the competition from China poses a threat to American domestic industries due to the scale and efficiency of the Chinese industry. The tariffs on solar panels demonstrate this threat as American producers have largely been priced out of the global market due to the cost-effectiveness and quality of their Chinese counterparts (Fickling, 2024). As China has surpassed the United States in its ability to manufacture many goods ranging from basic materials to advanced computers, the United States relies on its capacity for innovation and technological development to compete with China (Centre for Economic Policy Research, 2024). Therefore, from Washington's perspective, implementing a hawkish industrial policy is one of the last economic tools to slow China's rise on the international stage. Hence, the unilateral and extensive use of export controls, tariffs, and investment screening to curb Chinese development and protect American strategic businesses.

Second, the advent of the Chinese military paired with expansion in the South China Sea (Council on Foreign Relations, 2024) and an increasingly assertive stance on Taiwan is viewed as a threat in Washington (Maizland, 2024), reflected by China's designation as the primary threat to American national security (Wray, 2020). Washington may view competition with China as a zero-sum game, in which only one victor may emerge, hypothetically encouraging a complete decoupling from the Chinese economy in preparation for a large-scale, extended conflict. In such a hypothetical conflict, the development of a domestic industrial base is essential, mandating a self-sustaining economy, and explaining the hawkish nature of the last two American administrations. The export controls on advanced technologies to China are a logical conclusion under the assumption of a conflict with China due to their potential impact on national security.

Third, while China's rise is an important driver of US industrial policy, domestic political and economic developments cannot be overlooked. Deindustrialization in the United States, a process that started independently of China's rise (Chan, 2025a), created a powerful constituency for manufacturing revival that has shaped electoral politics

across multiple cycles. Trump's "America First" agenda and Biden's "Build Back Better" initiatives illustrate this. This intersects with broader populist appeals that frame globalization as benefiting coastal elites while abandoning working-class communities, creating bipartisan pressure for policies that prioritize domestic production and employment. Growing scepticism toward globalization in the US is also due to decades of wage stagnation, rising inequality, and the visible costs of trade adjustment (Foroohar, 2024). These have eroded public support for free-trade orthodoxy across party lines. Labor unions, historically sceptical of protectionism, have increasingly embraced industrial policy as a means of rebuilding manufacturing jobs, while business groups have grown concerned about supply chain vulnerabilities and the offshoring of critical capabilities.

Lastly, new technologies such as artificial intelligence (AI) bring new opportunities and challenges from an economic and military perspective. Economically, AI has the potential to make significant contributions to the economic output by restructuring and streamlining manufacturing and services (Rao & Verweij, 2024). Militarily, AI could become a force multiplier, drastically improving the effectiveness of existing forces and changing the global power dynamics (Csernaton, 2024). The potential of AI may have led policymakers to decide that AI is critical to future power competition and should centre power around America and its allies.

The changing nature of industrial policy points towards a shift in the global outlook in the United States. The bipartisan support for these changes suggests that the American perspective on globalisation has changed, returning to a neomercantilist industrial policy-driven era, in which national security concerns take precedence.

4. Industrial policy and national security in China

4.1. Policy overview

In China, industrial policy has underpinned national economic planning for decades, but under Xi Jinping, the concept of national security has been introduced more strongly as a rationale behind Chinese industrial policy. The shift in industrial policy has been guided by the government's five-year plans that set the overall direction for the country's economic and social development. Laying out the economic and social development goals for the 2006 to 2010 planning period, the 11th Five-Year-Plan proposed "independent innovation" as the key driver of China's future economic growth for the first time. Subsequent Five-Year-Plans reinforced the new economic rationale emphasising the government's ambition to move the Chinese economy up global value chains and make China a science, technology, and manufacturing superpower. After Xi Jinping had succeeded Hu Jintao as the leader of the Chinese Politburo, the 13th Five-Year-Plan (2016–2020) introduced national security as a rationale behind future economic development.

Table 2

Overview of Industrial Policy and National Security in China.

Policy/Event	Year	Description
11th Five-Year Plan	2006	First five-year plan referring to independent innovation and reduced reliance on foreign technology as key goals
National Medium and Long-Term Plan for the Development of Science and Technology (2006–2020)	2006	Hallmark policy outline of China's approach to achieve independent innovation
National Integrated Circuit Industry Development Outline	2014	First national plan exclusively targeting the semi-conductor industry
12th Five-Year Plan	2011	First five-year plan referring to national security as a key aim for China's future development
Made in China 2025	2015	Hallmark policy outline which aims to transform China into a manufacturing powerhouse across a range of sectors, and especially break into high-tech sectors
National Security Law	2015	Cornerstone national security legislation
Counter-Terrorism Law (2015), Cyber Security Law (2016), National Intelligence Law (2017), Measures on National Security Review of Foreign Investment (2020), Data Security Law (2021), Anti-Espionage Law (2023)	2015	Series of interlocking national security legislation under Xi Jinping
13th Five-Year Plan	2016	Focus on digital innovation and green development as priority areas
Export controls	2020	Export Control Law effective in 2020. Subsequently, important export controls on critical minerals starting in 2023
14th Five-Year Plan	2021	Focus on self-reliance in science and technology and strengthening domestic supply chains. Priority sectors: semiconductors, quantum computing, AI, and renewable energy

Source: Authors' compilation

For example, it encouraged additional government investments in industries and sectors deemed relevant for both national security and development. In 2020, the imperative to coordinate development and security was reiterated by the 14th Five-Year-Plan (2021–2025), which highlighted the need for strengthening domestic supply chains and increase self-reliance in science and technology. Given the top-down nature and centrality of five-year planning in China, the change in guidance carried far-reaching implications for industrial policy making – across policy areas and administrative levels.

In line with top-level planning, multiple strategic plans, laws, and measures across various policy areas and administrative levels have been issued in support of innovation-led development and national security. In 2015, Xi Jinping and Chinese Premier Li Keqiang renewed the government's call for innovation-led development issuing the widely discussed “Made in China 2025” initiative. The policy targeted ten key industries, such as biotech, aerospace, robotics, and next-generation IT. Providing support to strategic industries was seen as essential in creating a competitive manufacturing sector as a driving force for economic growth and “the only way China can enhance its comprehensive national strength, ensure national security, and build itself into a world power” (*The State Council of the People's Republic of China, 2015*). In contrast to previous policy guidance, however, economic development did no longer represent an end in itself, nor did traditional industrial policy seem to be the only means to achieve it.

In fact, national security-related laws have extended the scope of traditional industrial policy. For example, the 2015 National Security Law restricts foreign investment in key technologies, while the 2016 Cybersecurity Law enacted new data localisation rules which require foreign companies to store all Chinese user data in the country. Further examples include the 2019 Measures on Security Assessments for Cloud Computing Services that “prohibit foreign companies from directly providing cloud computing services to customers in China, requiring foreign service suppliers to partner with a Chinese company and to turn over to that partner their technology, intellectual property, know-how, and brands in order to enter the market” (*U.S. Trade Representative, 2020*, p. 120). With selected high-tech industries receiving state support and protection from foreign competition on the grounds of national security, the concepts of national security and economic development have become deeply intertwined.

As president Xi's concept of “holistic national security” has gained momentum among Chinese policy makers, measures in support of national security are increasingly taking precedence over those that solely increase economic output, indicating a fundamental shift in priorities away from rapid economic growth towards national sovereignty. Starting in 2020, this has become particularly apparent when the Chinese government cracked down on large domestic tech companies such as Alibaba and intervened in the US stock market debut of DiDi, a Chinese ride-hailing company, on the grounds of national security (*Zhang, 2024a*). Simultaneously, Chinese authorities proclaimed to strengthen development “through domestic-international dual circulation”. This dual circulation approach, which consolidated previous policy guidelines and later got incorporated in the 14th Five-Year-Plan (2021–2025), sought to strengthen the domestic economy and reduce reliance on Western markets while boosting supply chains with new markets and thereby securing China's influence abroad. In terms of national security, it reflected a deliberate attempt to foster economic self-sufficiency whilst mitigating the vulnerabilities of global supply chains. Against this backdrop, Chinese authorities outlined new Measures on National Security Review of Foreign Investment in late 2020. According to Article 1, these new rules were introduced to reconcile national security concerns with foreign direct investment promotion. Amongst investments in critical sectors such as defence, the regulation applied to important information technology which displayed the strategic relevance of protecting emerging industries on grounds of national security.

In 2023, China once again demonstrated its realignment of economic policy towards national security by revising its Anti-Espionage Law. The revision followed a series of raids on foreign consultancies, including those related to ensuring compliance with US export controls and sanctions, which were accused of engaging in illicit activities and espionage. It further raised concerns among foreign businesses about the growing risks of operating in China. In an additional response to US measures that had targeted China's innovation-led development approach, Beijing introduced export curbs on rare earths — critical for advanced semiconductor production — in an act that demonstrated China's willingness to wield its power in global supply chains to secure its economic ambitions.

In 2024, the Chinese government reiterated its commitment to economic development and national security — both seen as reinforcing

each other (Xinhua News, 2024). To safeguard its commitment, Beijing announced its intention to revise existing security laws and to steer state capital toward selected industries that are considered vital to national security (Ministry of Foreign Affairs of the People's Republic of China, 2024). Although the implications of the most recent announcements remain to be seen, the securitisation of industrial policy, i. e. the integration of development and security, has clearly come with a fundamental realignment of priorities in Chinese governance. See Table 2 for an overview of industrial policy and national security measures in China.

4.2. Analysis

Today, China has taken a leading position in various sectors. In five out of 13 key technologies highlighted by the Made in China 2025 Initiative, China has achieved a position at the global technological frontier (Bloomberg News, 2024). Arguably, this can be attributed to China's approach to economic development and, more specifically, to industrial policy, which has evolved from adopting a labour-intensive and export-oriented to an innovation-led growth model (although still labour-intensive and export-oriented in many ways). To understand the driving forces behind the shift in industrial policy, two factors play a crucial role: first, the evolving global economic and political landscape and, secondly, the change in Chinese Communist Party (CCP) leadership from Hu Jintao to Xi Jinping.

The evolving global economic and political landscape contributed to a change in rationale behind Chinese industrial policy. By the early 2000s, China had established itself as a global manufacturing powerhouse, leveraging labour cost advantages at the lower end of global value chains (World Bank, 2019). In neoliberal tradition, the West, including the United States, mostly welcomed the integration of China into the world trading system, benefiting from lower production costs, cheaper products and growing demand for its machinery and other advanced products (Meijer, 2016).

With rising output and increasing labour costs, however, China began to follow the economic trajectory of other high-income countries by aiming to move up global value chains. Hence, China started to position itself in direct competition for technological leadership against other high-income countries, in particular the United States. In consequence, both the Trump and Biden administration adopted a highly protectionist stance to counter the rise of China. This reinforced views of political elites in Beijing who have regarded US action as a significant threat to China's long-term aspirations and national interests (Scobell, 2020). Ultimately, Beijing's intensified efforts to foster independent innovation and prioritise national security can be considered as a response to the evolving global economic and political environment.

In addition, the change in CCP leadership shepherded both the turn to innovation-led development as well as the securitisation of industrial policy, reflecting fundamental differences in worldviews and aspirations between president Hu and Xi. Hu, president of China between 2003 and 2012, set the country's modernisation and long-term economic prosperity as the overriding goal of Chinese governance (Brown, 2012). In line with Deng Xiaoping, he supported China's integration into the world economy. Hu further acknowledged the importance of innovation as a driver of long-term economic growth. His successor, Xi Jinping, similarly highlights innovation-led development as a key priority (Tsang & Cheung, 2024). However, he pursues the overriding goal of achieving the "rejuvenation of the Chinese nation" by the centenary of the People's Republic of China in 2049 (Goldstein, 2020). In other words, Xi aspires more explicitly to elevate China to a position of strength, prosperity, and leadership on the world stage.

As the global economic and political landscape keeps changing, Beijing will most likely be reinforcing its dual approach of reducing China's reliance on Western markets while exerting as much economic influence through global trade as possible. As a result, the world economy that is already experiencing shifts in trade and reconfigurations of

global supply chains may be further experiencing unexpected volatility due to the ongoing race for global technological, economic, and political leadership between the US and China.

5. Industrial policy and national security in the European Union

5.1. Policy overview

The first major changes in the European approach to national security became noticeable in 2019 under the formal adoption of foreign direct investment (FDI) screening regulation. This was prompted by Chinese access to strategic technology through the acquisition of KUKA, a German robotics company. The intertwinement of industrial policy and national security in the EU ramped up noticeably after the COVID-19 pandemic. The pandemic highlighted various weaknesses in European supply chains, prompting a European Commission investigation, resulting in the formation of a European industrial strategy in 2020 (European Parliament and Council of the European Union, 2019). Building on lessons learned during the pandemic, the Commission identified three pillars of improvement: "Resilience of the Single Market, Strengthening the EU's open strategic autonomy, and accelerating twin transitions (green and digital)" (European Commission, 2020). The push towards strengthening strategic autonomy highlighted European dependency on foreign strategic goods and technologies, indicating a move towards prioritising national security considerations through economic policy.

The focus on strategic autonomy in the European Union is highlighted by the European Chips Act. In response to the Chinese Big Fund and the American CHIPS and Science Act, the European Union announced the European Chips Act to, "...address semiconductor shortages and strengthen Europe's technological leadership." (European Commission, 2023b). To achieve this goal, three pillars were proposed: the "Chips for Europe Initiative", a framework for public and private investments, and a European Semiconductor Board. The three pillars work towards, capacity building, innovation, funding, and coordination within the European Union, leading to a €43 billion investment from the European Union, accompanied by a similar investment from the private sector (European Commission, 2023b). These investments aim to reduce European dependence on foreign producers, "home-shoring" semiconductor production, and encourage European innovation in the semiconductor industry, strengthening economic and national security.

To further develop supply chain security, the Critical Raw Materials Act (CRM Act) was established to reduce dependency on rare earth materials imports (European Parliament, 2024). The CRM Act removed administrative barriers to European rare earth production, supported recycling rare earths, and diversified imports. Rare earth materials have become essential to the production of many types of technology, ranging from dishwashers to advanced rockets, making their production relevant to the national security of the bloc.

2024 became a critical turning point for the European Union's approach to industrial policy, introducing the European Economic Security Strategy, establishing three pillars; Promote, Protect, and Partner (European Commission, 2023a). "Promote" centred around developing an innovative Europe supported by a strong economy. The approach to innovation was further supported by reports from Enrico Letta and Mario Draghi, emphasising the importance of developing a European Union which leads in innovative technologies (Draghi, 2024; Letta, 2024). The stress upon innovation was not purely economic, both reports also stressed the importance of innovation for the security and relevance of Europe in the future. The Draghi report additionally highlighted the importance of competition, not only with China but also with the United States. While acknowledging the importance of competition with other states, Letta and Draghi also highlighted the importance of maintaining trade relations and upholding multilateral agreements.

The "Protect" element focused on export controls and investment screening. A white paper on export controls in the European Union

Table 3

Overview of Industrial Policy and National Security in the European Union.

Policy/event	Year	Description
EU 2019/452 – FDI Screening Regulation	2019	Screening of foreign investment in response to the acquisition of Kuka Robotics in Germany
European Industrial Strategy	2020	A European plan for industrial policy, focusing on competition, both internal and external
Dutch export controls on semiconductors	2023	The Dutch government restricts the export of ASML's most advanced technologies to China
Chips Act	2023	€43 billion in EU funding to strengthen semiconductor production
Anti-subsidy investigation on Chinese EVs	2023	The European Commission starts investigating Chinese EV companies for illegal subsidies
Critical Raw Materials Act	2024	The European Union aims to reduce its dependency on foreign critical minerals
Raid on Nuctech	2024	Nuctech (a Chinese security equipment company) is raided, the first exercise of the anti-subsidy law
Tariffs on Chinese EVs	2024	The European Union imposes tariffs on various Chinese EV companies with varying rates according to the level of illegal subsidy support
European Economic Security Strategy	2024	The European Commission announces a new approach to economic security focusing on, protect, promote, and partner
Letta & Draghi Reports	2024	The Letta and Draghi reports comment on competitiveness, both internal and external, for the European Union, placing an emphasis on economic security
ReArm Europe	2025	A plan to rearm Europe by mobilizing €800 billion in public and private funds

Source: Author's compilation

emphasised the importance of a unified approach to export controls (European Commission, 2024d). Investment screening in the European Union was expanded to include outbound investment screening, aiming to reduce “technological leakage” due to European investment projects sharing strategic technologies.

Previously, the European Union had launched an anti-subsidy investigation into Chinese electric vehicles to determine whether Chinese producers receive illegal subsidies and whether these subsidies cause or threaten to cause harm to European producers (European Commission, 2024a). In 2024, the Commission proposed a range of tariffs on various Chinese EV producers, based on the findings from the anti-subsidy investigation (European Commission, 2024a). These proposed tariffs have since been approved by member states. In response to the EV tariffs, China has imposed tariffs on European Union brandy. While the back and forth of tariffs is escalatory, there are signs of compromise: the European Union and China have agreed to hold negotiations on possible alternatives to the EV tariffs (Reuters, 2024).

On April 24th, 2024, Brussels raided the offices of Chinese security equipment supplier, Nuctech, under its anti-subsidy law, marking a significant development for the European Union. While the US government had listed Nuctech on its Entity List already in 2020 due to its involvement in activities contrary to the national security interests of the US, this action by the European Union indicated a new approach to economic protectionism in the bloc (Foy et al., 2024). The Chinese government responded, accusing the European Union of weaponising the anti-subsidy investigations.

The “Promote” aspect of the European Economic Security Strategy focuses on establishing a broad range of partners through trade agreements and strengthening multilateral institutions such as the World Trade Organisation (European Commission, 2023a). In “de-risking” from China, establishing new trade relations and strengthening existing relations will be pivotal to the success of the Economic Security Strategy. However, since the announcement of the Economic Security Strategy, no new trade relations have been announced.

Due to the major geopolitical changes brought on by the second Trump Administration, the European Union has changed course, focusing more forcefully on revamping European production. The defence industry in particular is set to receive more funding, under the premise that Europe can no longer rely on American aid, militarily or economically (European Commission, 2025). See Table 3 for an overview of industrial policy and national security measures in the European

Union.

5.2. Analysis

The European Union charted a course towards economic security distinct from the US, opting for a measured approach, balancing trade and national security. The primary difference between the two approaches is the discourse on China. The United States identifies China as its primary adversary while the European Union does not identify a specific threat to economic security, instead allowing for interpretation, indicating that China is not the only competitor (European Commission, 2020).

Due to the nature of the European Union, the bloc faces internal challenges not faced by the United States or China, complicating its approach to economic security. Sovereignty remains a critical issue for member states with national security as the most critical element of sovereignty. Therefore, European Union involvement in matters of national security is a significant step for the Union. For example, if implemented, unified export controls would represent a new level of cooperation between member states. However, disagreement between member states will likely withhold such powers from the European Union.

The shift towards a national security driven industrial policy is motivated by three factors. First, increasing economic competition from China. As with the United States, the European Union has over the years focused on the development of advanced technologies and outsourced low-tech manufacturing to China (European Commission, 2024b). China's advancements in advanced technologies threaten the European Union's ability to compete. China's rapid advancement in technologies for the green transition, such as solar panels, nuclear power, and EVs demonstrate China's ability to pursue industrial policy at the technological frontier and compete with the European Union and the United States (Dungs, 2023; Fickling, 2024; The Economist, 2024). In Europe, the realisation that China is a competitor paired with a lack of Western unity under the “America First” doctrine has led the European Union to focus on developing domestic capacity and capability, working towards strategic autonomy (European Commission, 2023a).

Second, the war in Ukraine has demonstrated that diplomacy through economics has not been an effective policy (Brands, 2024). While the trade relations between the European Union and Russia are not comparable to that of the European Union and China, it has become

clear that economic power alone does not equate to global power (Brands, 2024). Therefore, the European Union is tweaking its approach, maintaining the importance of various trade relations while ensuring security through the development of domestic capacity and capability (European Commission, 2023a).

Lastly, the United States has placed significant pressure on various member states to adopt a strong stance against China. The United States has pressured the Netherlands, on multiple occasions, (Holland, 2023) to implement increasingly stringent export controls on advanced semiconductor machinery. The EU-US Trade and Technology Council (TTC) has recently become a platform for coordination on economic security strategy on advanced technologies (European Commission, 2024c), however under the second Trump Administration, has not been as active as in the previous administration. Pressure by the United States indicates that Europe has not fully aligned with the American perspective, opting to maintain trade relations while enhancing supply chain security within the bloc.

In conclusion, the European Union recognises the need for balance between national security considerations and economic objectives. The use of protectionist tools such as export controls and investment screening indicate a will from the European Union to protect the economic interests of the bloc through active state intervention. Thus far, there has been little interest in extraterritorial measures such as those implemented by the United States, demonstrating an interest in striking a balance between international economic partnerships and national security.

6. Global ramifications of the new economic nationalism

6.1. Industrial policy and international zero-sum games

We have now outlined and analysed industrial policy as national security strategy in the United States, China and the European Union. But we have not yet sufficiently addressed topics of a more normative nature. Industrial policy enacted simultaneously in many countries surely has the ability to be a catalyst for economic development and innovation in all such countries. However, industrial policy also involves zero-sum games — one nation's gain often entails another nation's loss. In fact, as our analysis has made clear so far, the return of industrial policy and national security measures in some countries and regions have emerged as response to increasing international competition from other countries and regions. In particular, the return of industrial policy in the United States and the European Union have partly emerged as a response to China's success with industrial policy.

A key aspect of industrial policy is about helping domestic firms

become competitive in the world economy. The word, 'competition', refers to an activity or condition of striving to gain or win something by defeating or establishing superiority over others. By definition, then, as long as competition is one of the key organising principles of the world economy, successful industrial policy in one country cannot avoid having adverse effects in other countries. In light of the ramp-up of industrial policy as national security strategy, it is therefore pertinent to address the global economic ramifications of what we are witnessing.

One way to look at this is from an international development perspective. This perspective entails fighting for the elimination of poverty worldwide. The implication of this perspective is to be more supportive of industrial policy measures in countries with lower levels of income. It entails applauding the economic success of all countries, but especially developing countries, because this moves us closer to the goal of eliminating poverty worldwide. If we adopt this kind of perspective, among the three regions we have looked at in this paper, we should be celebrating the industrial policy success of especially China. In fact, China has lifted more people out of poverty than the rest of the world put together in the last 40 years, and has generally achieved enormous progress on various development indicators (World Bank Data, 2025). China is also leading global efforts in renewable energy manufacturing, and in that sense is helping the global economy move closer towards decarbonisation (Hauge & Hickel, 2025). From an international development perspective, this is a welcome development. It is especially important to push for the international development perspective because the global playing field of economic competition is hugely tilted in favour of today's wealthy countries. It has been well-documented that the system of global governance and international trade established by today's high-income countries vastly favours wealthy states and corporations headquartered in those states, at the expense of industrialisation and economic development in lower-income countries (Gallagher & Kozul-Wright, 2022; Hauge, 2023; Hickel, 2017).

However, the full picture is more complicated. While we should celebrate the rise of China, we are witnessing that China is taking up massive shares of global manufacturing. As we mentioned in the introduction, China now makes up 31 % of global manufacturing production, a share which is expected to keep growing. To some degree, this crowds out industrialisation opportunities for other countries. If China keeps growing its role as the 'factory of the world', what space is there for other countries to industrialize or reindustrialize? More broadly, from an international development perspective, the jostling for prime positions in global manufacturing and production networks between all three regions (China, the United States and the European Union) is somewhat worrying. In 2023, these three regions made up 69 % of global manufacturing output, which represents an increase from 61 % in

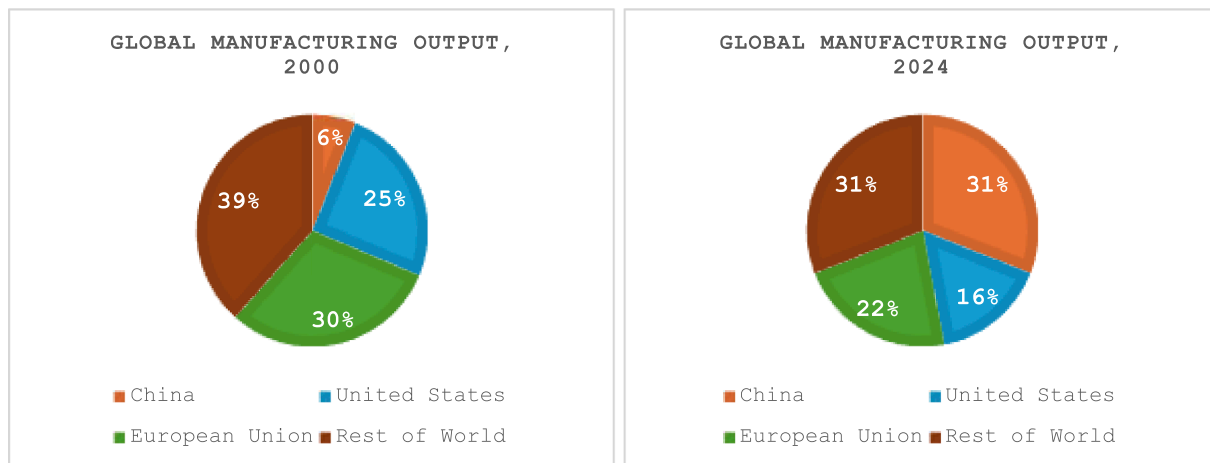


Fig. 1. Distribution of Global Manufacturing Output (MVA), 2000 and 2024 and Source: Data from UNIDO STAT (2024)World Bank Data (2025).

2000, mainly due to China's manufacturing boom (see Fig. 1). This share is set to increase further: China's industrialization is set to continue (UNIDO STAT, 2024) while the United States and the European Union will be pushing to reverse deindustrialization. Greater global manufacturing dominance by these three regions also means that they, collectively, will have more control over advanced technologies and more control over global supply chains (Zhang, 2024b).

Data also shows us that the return of industrial policy worldwide is concentrated within these three regions (EBRD, 2025). This should come as no surprise: the ability to formulate successful industrial policy hinges on domestic state capacity and domestic financial resources. In fact, there is a proven positive correlation between domestic financial capacity and the use of industrial policy (EBRD, 2025). It's simply not possible for lower-income countries to match industrial policy measures like the United States' CHIPS and Science Act or China's Made in China 2025. The financial muscles of these three regions to pursue ambitious industrial policy measures reign supreme worldwide.

6.2. Diverse impacts across the global South

Our preceding analysis does not suggest that countries in the global South will collectively suffer (or are suffering). We should recognise that most countries in the global South that have struggled to build industrial capabilities have had these struggles before the uptick in industrial policy among the abovementioned three superpowers. There is no convincing causal mechanism (yet) to strongly link premature deindustrialization or lack of industrialization in the global South to the industrial rivalry between the United States, China and the European Union. Moreover, due to new geopolitics and the desire among the three superpowers to make their supply chains and trade more resilient, many so-called 'connector' countries are benefitting from building fruitful trading relationships with several of the superpowers, in particular the United States and China (Alami et al., 2025; Sahay, 2022; Schindler et al., 2024). Countries in the global South that have been referred to as such 'connector countries' or 'geopolitical swing states' include Morocco, Vietnam, Indonesia, Malaysia, and Mexico, to name a few notable ones (Alami et al., 2025).

In Mexico, for example, investment from the United States has been increasing since the late 2010s (Brookings Institution, 2024). This investment surge is motivated by two factors: nearshoring strategies to make supply chains more resilient and bypassing tariffs imposed by the US government on imported products from China. US tariffs on imported products from China are not only driving more investment in Mexico from the United States — Chinese firms are also investing in Mexico in order to access the US market more easily and bypass US tariffs on China. While this trend started in the late 2010s, it is expected to become even more pronounced during the Trump administration. It is a clear example of how a 'connector' country is benefitting from trade tensions between the governments of the United States and China. Similarly, countries in Southeast Asia are benefitting from tensions between China and the United States. Vietnam, Malaysia and Indonesia have all seen a pronounced uptick in manufacturing FDI from both the United States and China (UNCTAD STAT, 2025). All three countries are becoming more deeply integrated into global supply chains across a range of manufacturing industries, such as electronics, apparel, and clean energy. Vietnam's manufacturing sector in particular is surging. In 2024, Vietnam's manufacturing exports per capita stood at 3,200, one of the highest in the world (UNIDO STAT, 2024). Although more FDI is by no means a guarantee for building productive capabilities in the long term, it is encouraging to see that Southeast Asia is increasing its leverage and power in international trade networks.

We further need to recognise that the partnerships China is building across the global South represent a model that is different from traditional North-South partnerships. China's approach to building economic relationships across the global South is in many ways less imperialist in nature compared with traditional powers in the global North. China's

approach focuses more on economic investment in the host country, greater respect for sovereignty, and no overt military presence or political interference (Brautigam, 2009; Li, 2021). China's reputation across the global South is, in fact, better than much of the West, especially the United States. According to a survey by a Danish-based non-profit organisation, 79 % of countries around the world have a more positive view of China than the United States (Alliance of Democracies, 2025). An overwhelmingly high proportion of the countries with a more positive view of China are global South countries. This should come as no surprise. Compared to traditional Western donors, China has shown a clearer willingness to invest in areas that are important for economic development in lower-income countries, such as infrastructure (Calabrese, 2025; Calabrese & Tang, 2020), rather than lecture on matters of 'good governance', which has been a core part of the North's approach to cooperation with the South (Noman et al., 2011).

This does not mean that China's strategies across the world, and especially the South, are homogenous. For example, Chan (2025b) highlights that China has an explicit strategy of trying to prevent India from emerging as a competitor, limiting the flow of investment, workers, and equipment to India. But the same article also emphasises that China engages in a more cooperative type of 'industrial diplomacy' with a range of countries across the global South they would like to build stronger ties with, including Brazil, Ethiopia, Indonesia, Mexico, Thailand, and Vietnam, to name a few. In Africa, research suggests that Chinese firms have a positive, although modest, effect on economic transformation, infrastructure development and technological spillovers (Calabrese & Tang, 2020). A collection of surveys in Africa shows that, among Africans, positive views on China outnumber negative views by a factor of 3 to 1 (Asia Society Policy Institute, 2025). China will be far from a magic bullet for industrialisation in the global South, but China certainly represents a welcome approach to new partnerships across the global South compared to traditional North-South partnerships.

7. Conclusion

The resurgence of industrial policy as a national security strategy marks a profound shift in the global economy. Our examination of the United States, China, and the European Union reveals how these economic powers are simultaneously pursuing similar objectives through distinct approaches, collectively reshaping the international economic order toward a paradigm marked clearly by more economic nationalism.

This convergence of industrial policy and national security represents more than a temporary response to recent disruptions. Rather, it signals a fundamental rethinking of the relationship between state power, economic development, and security. The United States has adopted an explicitly hawkish stance, deploying extensive controls and subsidies to maintain technological supremacy and counter China's rise. China has pursued technological self-sufficiency and a growing presence in international trade through long-term industrial planning while increasingly privileging security considerations over pure economic growth. The European Union has charted a more restrained course, balancing autonomy with openness while gradually strengthening its economic security apparatus. These parallel but distinct approaches reflect a common recognition that economic power and national security are inseparable in contemporary geopolitics. As nations compete for dominance in strategic industries, the boundaries between economic competition and security competition continue to blur.

The implications of this shift extend far beyond the three economic powers examined here. The concentration of industrial capabilities within these blocs raises serious questions about the development prospects for the global South. While some 'connector' nations benefit from their position between competing powers, many others lack the financial resources and state capacity to implement comparable industrial policies. The intensification of economic competition thus risks exacerbating global inequalities even as it creates new pathways for development in select regions. However, the rise of China entails new

development pathways for the global South. China's economic partnerships differ from traditional North-South relationships, potentially offering economic collaboration of a less imperialist nature. The emergence of multiple competing poles of economic power may also create space for strategic manoeuvrability that was absent in the unipolar moment.

The convergence of industrial policy and national security thus represents not merely a return to historical patterns, but the emergence of a new paradigm of economic nationalism driven by economic and technological competition between three superpowers. How nations navigate this paradigm — balancing competition with cooperation, security with openness, and national interests with global prosperity — will profoundly shape the economic and geopolitical landscape for decades to come.

CRediT authorship contribution statement

Jostein Hauge: Writing – review & editing, Writing – original draft, Project administration, Investigation, Formal analysis, Conceptualization. **Bruno Houtzager:** Writing – review & editing, Writing – original draft, Investigation, Formal analysis, Conceptualization. **Alessandro Julian Hörmann:** Writing – review & editing, Writing – original draft, Investigation, Formal analysis, Conceptualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

No data was used for the research described in the article.

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