

# Discussion Industrial Policy in a New Global Order

**Thiemo Fetzer**

University of Warwick & University of Bonn & CEPR & AEAI

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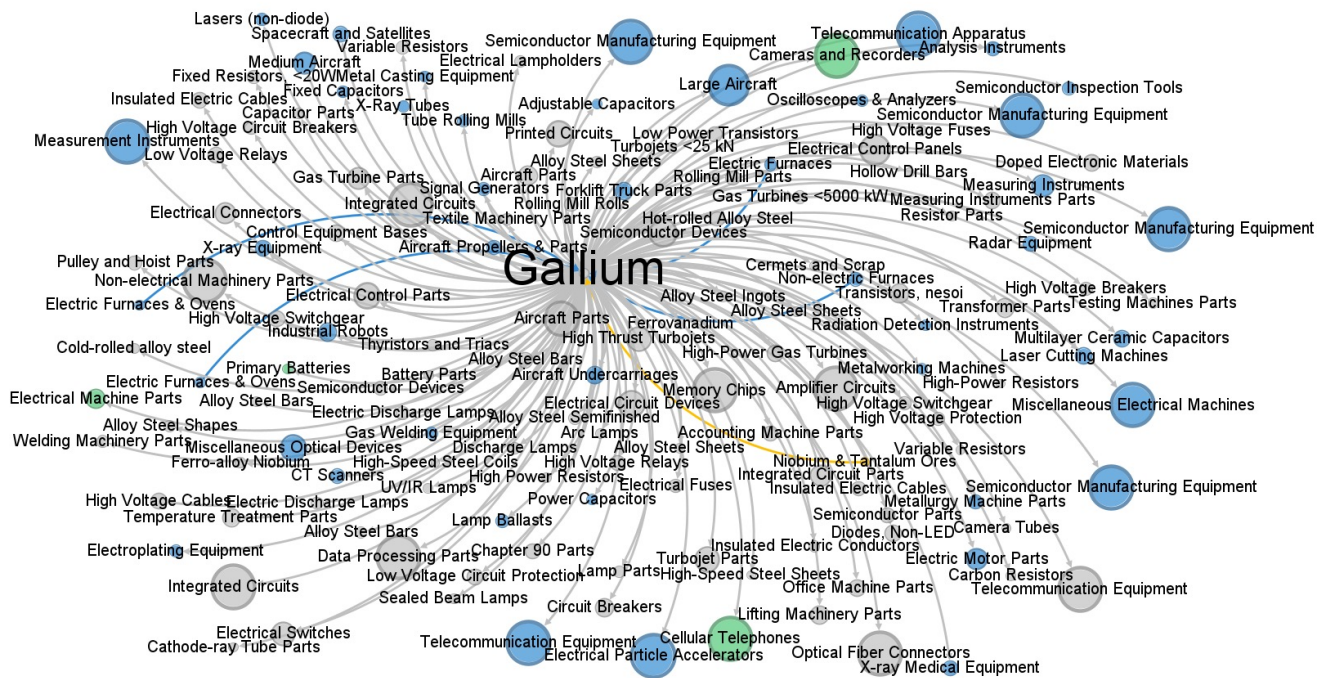
# Guiding principle for global cooperation

1. Note picks up many important **guiding principles** and makes a strong argument for why **global cooperation is necessary**.
2. Concern in 2024 was that absence of **governance** and **guardrails** may **further increasing global tensions** and **nationalism**
3. Key dimensions of **guiding principles** discussed in the note
  - Economic Impact Measurement
  - Cooperation and Consultation
  - Comparative Advantage and Inclusivity
  - Avoiding Politicization
  - Collective Prosperity

# Three main points of discussion

1. Developing a **global measurement and evaluation framework for industrial** policy along **supply chains** -- focusing on **physical goods**
2. Rethinking or *not forgetting* – the importance of **trade in services** due to its entanglement with *climate action* and **shared prosperity**
3. Role of **technocratic cooperation** taking advantage of **rapid technological advances**
  - Moving from **fuzzy language** to state-safe **binaries**
  - Exchange of data, capabilities or code and **federated learning** facilitates the **exchange of knowledge** or **validation of information** without having to **exchange data**.

# Rare-earths minerals and conflict tensions highlights vulnerabilities...

Rare earths [+ Add to myFT](#)

## China demands sensitive information for rare earth exports, companies warn

### Extensive licensing requirements raise concerns about intellectual property theft



China dominates the industry for processing rare earths and rare earth magnets © David Gray/Reuters

**Ryan McMorrow and Joe Leahy** in Beijing and **Kana Inagaki** in London

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301



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Western companies say China is demanding sensitive business information to secure rare earths and magnets, raising concerns about potential misuse of data and exposure of trade secrets.

It is **technologically possible** to **share or validate information** such as “this product is compliant with regulation x,y,z” without having to share underlying sensitive data.

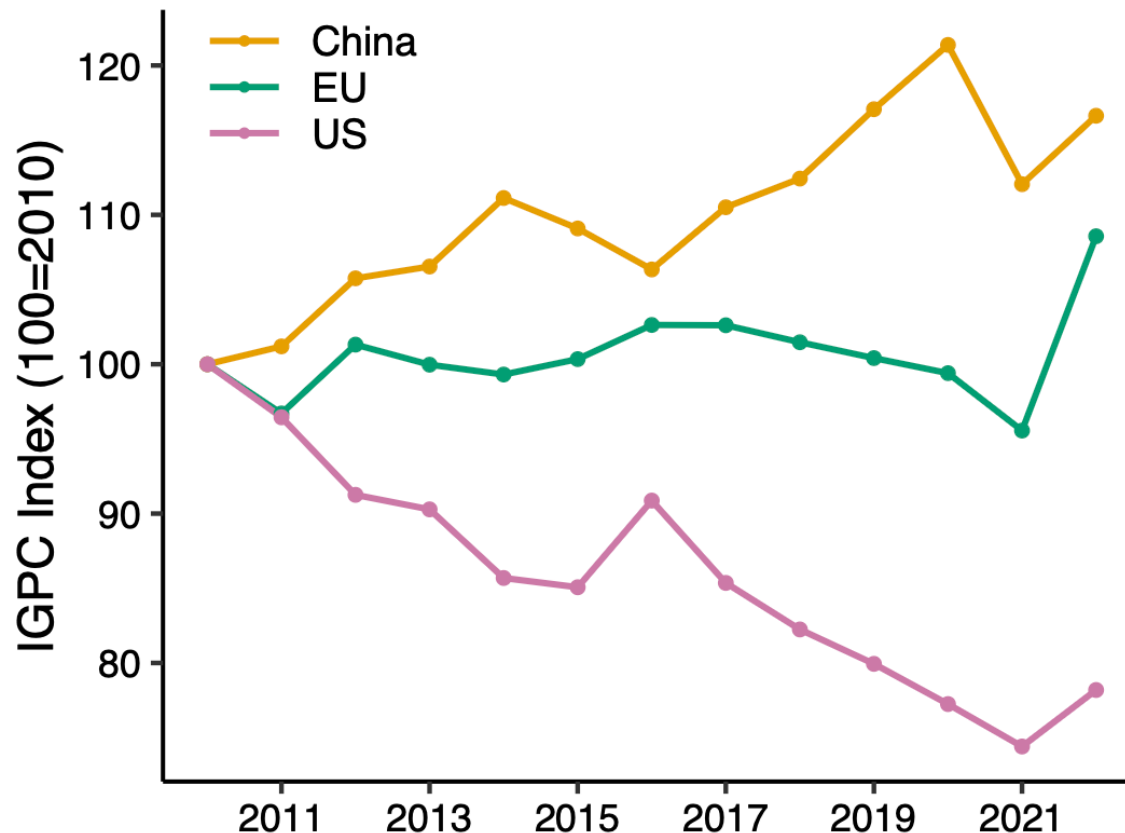
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# Trade in services and industrial policy

- Focus has been on industrial policy around **physical goods trade**
- Trade between nations is increasingly shaped by **trade in services**
- What is service sector trade?
  - Most common: **tourism**.
  - Increasingly relevant: digital goods – think: **digital goods, data, and knowledge**
  - Potentially crucial for **climate action**: trade in ecosystem services, **negative emissions, carbon sequestration services**, due to COP24 ratification of UNFCCC Article VI
  - Building global **informational plumbing** and the **measurement framework** to value such trade is crucial to ensure **broad based decarbonization** does not require **forgoing economic development**

## Within country trends (raw data)



- Singling out countries may not be conducive for dialogue but we also need not be **blind to vulnerabilities**
- This graph **combines three pieces of data** into a single index
  - How **central** a good is in the production network?
  - How **many suppliers** there are of a specific good?
  - What the **overall importance of a good** relative to all global goods trade?
- In **goods trade**, China becomes ever more **central** to **global value chains** due to its strategic deployment of industrial policy ***firmly betting on climate action***

From: Fetzner et al (2024), AI Generated Production Networks: Measurement and Applications for Global Trade.



# How can we achieve such measurement between and within countries?

Shift towards **invoice level Value Added Tax** can help create **supply chain transparency** vital to evaluating industrial policy and possibly to developing healthy cross-border economic relationships.

Region/Country	Mandate Type	Rollout Timeline
EU (ViDA)	Domestic & intra-EU	2024 start; full by 2030–35
Italy, Spain, France, etc.	B2B (and B2C)	2019–2026 across various phases
LatAm (Brazil, Mexico, etc.)	All transactions	Ongoing (since 2003–2020)
India, China	B2B, IRP/e-Fapiao	India from 2020; China ongoing
ME & Asia (UAE, Saudi, etc.)	B2B & B2G	2021–2026 phased across countries
Africa (Kenya, Ghana, etc.)	VAT-linked e-invoicing	2021–2025 phased

→ **timelines of invoice level VAT level roll out across the globe but explains tension with US due to stablecoins competing in this space**