

# The Weimar Triangle Should Lead on EU Industrial Policy



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*In the race against time, the European Union must move swiftly to navigate the green transition. This imperative isn't just about staying ahead in the global green technology competition; it is about securing the future of Europe's economy while combating climate change. Ahead of the EU elections looming, the urgency of this dual challenge cannot be overstated. With a new pro-EU Polish government in place, the Weimar Triangle – a trilateral forum that brings together Poland, France and Germany – could provide the ideal place to offer a new bold industrial policy leadership in Europe.*

European industrial policy faces multiple headwinds. Due to the upcoming elections both the European Parliament and Commission are in a pre-election lull, hindering their ability to spearhead major initiatives. The Parliament, effectively a "lame duck" in the first half of the year, will need time to settle after the June elections. Similarly, the Commission, facing its own renewal in 2024, may prioritize internal matters over bold leadership.

As of July, Hungary will hold the rotating presidency of the Council of the European Union. Despite recent concessions, the Hungarian government's commitment to democratic values and climate action is still concerning, potentially stalling progress on key fronts. Finally, polls indicate a worrying surge in support for far-right parties, many of which express skepticism towards initiatives like the European Green Deal and broader climate policies. The potential success of these parties in the upcoming elections poses a dual threat: not only could it undermine the EU's climate efforts, but it also risks squandering valuable time in the race for leadership in tomorrow's industries.

### **A joint leadership initiative could help Germany, France, and Poland to navigate domestic challenges**

In this challenging landscape, the collaboration of the three governments offers a much-needed counterpoint. The Weimar Triangle – a regional al-

liance of France, Germany, and Poland originally created in 1991 in the German city of Weimar – has served as a forum to advance European issues in the past, but has not played a major role recently. Now, finally, this may change since all three countries are led by firmly pro-European governments for the first time in almost a decade. And all of them face domestic challenges which an EU-level initiative might help to circumvent.

For the German government the room to maneuver in domestic politics is increasingly small. With fiscal constraints recently further tightened by a judgment of the Federal Constitutional Court the traffic light coalition seems to have exhausted its ability to drive policy domestically. Focusing on the EU level may be a convenient way to circumvent the domestic gridlock and enable Chancellor Scholz and in particular Robert Habeck, Minister for Economic Affairs and Climate Action, to pursue their political agenda.

With its ambitious industrial strategy and dedication to the Green Deal, France emerges as a crucial catalyst for progress within the Triangle. Drawing from its historical tradition of state involvement in industrial development, France pursues policies aimed at fostering green re-industrialization. President Emmanuel Macron's emphasis on regaining industrial sovereignty underscores the importance of self-sufficiency in key sectors. Yet, navigating the current political landscape, characterized by

minority representation in the National Assembly, a potential tidal wave for the National Rally in the upcoming European elections, and tightening public spending, poses growing obstacles for France to single-handedly advance green industrial policy.

To play a constructive role, France and Germany will have to overcome their recent animosities. Donald Tusk may be the just right person to diffuse Franco-German tensions and build a coalition on the foundation of France's dedication to green re-industrialization, Germany's leadership in economic and climate policy, and his own prowess in managing European politics.

Donald Tusk has already demonstrated his ability to influence policy debate in the European Union, even before becoming the President of the European Council: he was the one who coined the term Energy Union a decade ago, providing an impulse for better integration of the energy security considerations in the EU policy framework. Notably, his proposals in 2014 included a joint gas purchasing facility to strengthen the EU position vis-à-vis Russia: a common European initiative which was rejected at the time, only to be revived in the midst of the fossil fuel crisis caused by Russian actions. Half a year after the elections, the new Polish government needs a forward-looking agenda, as the public discontent with its predecessor which brought Tusk to power is being gradually replaced by questions about the future of Poland and its role in the European project. Providing a vision which combines climate commitments with EU-level cooperation and a focus on industrial competitiveness may be an important part of the answer. Finally, Poland will take over the Presidency of the Council of the European Union from Hungary in the first term of 2025, offering a unique opportunity to implement policy initiatives developed during 2024.

### **Active industrial policy is crucial for the European Green Deal and European Democracy as a whole**

We are living a renaissance of industrial policy, globally. The EU is competing with the United States and most importantly China for dominance in emerging green industries. On the other hand, the full-scale Russian war on Ukraine has caused a shock for the European industry and highlighted the need for industrial policy as a means of ensuring security and sovereignty. In this new era of industrial geopolitics, the EU can only remain competitive if it builds on its strong alliance and the Single Market. Yet, industrial policy and state aid risk creating a rift between economically more advanced Member States who can provide generous state aid to domestic industries and Member States with less "fiscal firepower" to do the same.

Moreover, industrial policy is crucial in the global green tech race, where current investment patterns do not favor the EU. This trend must be reversed to transition the current EU's industrial base and achieve a thriving green development. Strategic policy and investment in sustainable technologies are vital for the EU's competitiveness and long-term sustainability.

### **Charting a Sustainable, Unified, and Inclusive Course: Principles for Good EU Industrial Policy**

The success of the Weimar Triangle collaboration hinges not just on their collective will, but also on the guiding principles that define their approach to EU industrial policy. We propose three key principles that should serve as their compass.

First, European industrial policy should be transformative. Every industrial initiative must align with

Europe's ambitious climate goals. This means fostering innovation in clean technologies, promoting energy efficiency, and ensuring a just transition for workers and communities impacted by the shift. It is not possible to sustain support for energy-intensive industries indefinitely but this may be required in a transitional period. Enabling access to cheap electricity prices, through subsidies and other mechanisms, might be necessary to incentivize large-scale electrification of industrial processes. But such subsidies should be directly linked to the investments in expanding the production of low-carbon electricity, and gradually phased out as we are approaching a clean energy system.

Second, EU industrial policy should reinforce European unity, competitiveness, and the Single Market. Industrial policy should not be a zero-sum game between member states. The focus should be on collaboration, leveraging each nation's strengths, and creating a level playing field within the Single Market. One way to operationalize this principle would be to leverage the [Strategic Technologies for Europe Platform](#) as a means to counterbalance state aid paid by more fiscally potent Member States. For this, the Platform would need significant new funds, though. One way of generating these funds would be to require Member States to match each Euro spent on state aid with a mandatory contribution to the Platform. Another could be applying the mechanism similar to the Recovery Fund: raising money jointly on the European level, which are then reimbursed through future instruments (such as the future revenues of the EU ETS after the end of free allocations in 2030).

And third, EU industrial policy should seek global collaboration over rivalry. While we need a technology race against climate change, it needs to be a race in a collaborative spirit in which all contestants encourage each other to perform at their best. But a race in the spirit of geopolitical rivalry fuelled by industrial policy nationalism may ultimately cost us the climate, if it fails to support innovation and efficient deployment of technologies, focusing instead on the unsustainable subsidy race and trade barriers. The EU's industrial strategy should champion open, rules-based cooperation with global partners. This includes fostering positive partnership with developing countries that would include win-win collaboration on resources, technology transfer, and knowledge sharing, while ensuring they are not caught in the crossfire of geopolitical competition. The end result will be a global economy with more evenly distributed clean industrial capacities - which would increase European economic security, while also being fairer and much more realistic than trying to achieve full industrial resilience through self-sufficiency.

### A lost year might turn into a lost decade

While not without its limitations, the collaboration between Poland, France, and Germany offers a crucial beacon of hope for EU industrial policy amidst the headwinds of 2024. Recognizing its potential and navigating its challenges effectively could lead to meaningful progress, paving the way for a more sustainable and prosperous European future. This opportunity, given the upcoming elections in both Germany and France, might be the last one for shaping the European industrial landscape for the better.

*Image: German Foreign Minister Annalena Baerbock and Polish Foreign Minister Radoslaw Sikorski shake hands in front of French Foreign and European Affairs Minister Stephane Sejourne, as they arrive at the Chateau de La Celle Saint-Cloud for Weimar Triangle talks, near Paris, on February 12, 2024.*