Interview with Environmental Economist Brilé Anderson & Senior Economist Antoine Dechezleprêtre, OECD

The New Era of Industrial Policy

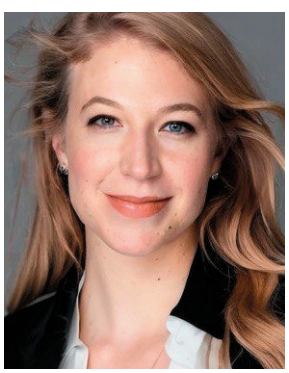
By *Japan SPOTLIGHT*

The OECD issued a report on industrial policy spending across 20 countries in May 2026. Industrial policy is attracting growing attention today against the rise in geopolitical risks and the importance of economic security. *Japan SPOTLIGHT* interviewed the authors of the report, Brilé Anderson, who has been working at the OECD for around nine years, and Antoine Dechezleprêtre, who is senior economist at the OECD.
(Interviewed on Sept. 16, 2026)

Self-Introduction

JS: Could you please briefly introduce yourselves with reference to your expertise?

Anderson: I am an environmental economist and have been working at the OECD for about nine years. I currently work on Antoine's team in the Industrial Policies Unit.



Brilé Anderson



Antoine Dechezleprêtre

Dechezleprêtre: I am a senior economist at the OECD's Directorate for Science, Technology and Innovation, in the Productivity, Innovation and Entrepreneurship Division, where I lead the Industrial Policies Unit.

Industrial Policy in the Spotlight

JS: Industrial policy has gained traction all over the world. This interest was, perhaps, initiated by China's aggressive industrial policy. There is a tough race to raise industrial competitiveness. What is your opinion of today's industrial policy around the world? Do you think international competitiveness forces industrial competitiveness?

Dechezleprêtre: There are many reasons behind the rise in industrial policy globally. The Covid-19 crisis led to many supply restrictions and concerns over the increased integration of global value chains. There was a lot of discussion about reshoring and friend-shoring at that time. We've experienced other crises recently, like the energy price crisis, which led governments to try to protect businesses from the shock. We are confronted with major challenges, such as decarbonization, which may require some industrial policy as well. We have a slowdown in productivity growth, which has been going on for decades. All of this explains the comeback of industrial policy. However, what we see in the data that we collect, is indeed a rise in government spending associated with industrial policies in OECD countries, but not an explosion of spending. In the five years of data that we have collected – between 2019 and 2023 – the increase in grants and tax expenditures related to industrial policies. This is significant – clearly, governments are spending more to support the business community – but it's not as if they were flooding businesses with subsidies.

Anderson: Just to add, one of the *assets* of the OECD's dataset compared to other datasets – such as those looking at the aggregate number of policies – is that the OECD QuIS database actually quantifies spending. There are more policies being announced, but actually, in practice, the spending is not increasing as much as one would think.

JS: Well, one of the reasons why we have this rise in industrial policy is that it's somewhat related to the geopolitical crisis. Many countries are now very eager to strengthen strategic positions in certain industries and reduce dependencies on other countries. What do you think about this narrative?

Dechezleprêtre: This is clearly something that we observe with our members. There are a lot of discussions at the OECD about strategic dependencies, about economic security. One of the sessions of the next meeting of our committee, the Committee on Industry, Innovation and Entrepreneurship, will be dedicated to a discussion among our

members about economic security. So this concern, which again dates back to the Covid crisis, is clearly growing and attracting a lot of interest from OECD Member countries.

Key Findings of the OECD Report on Subsidies

JS: You said that one of the key findings of the OECD data project is that subsidies have not increased substantially. Probably, the subsidy areas have changed. Could you please shed some light on the key findings of your report?

Dechezleprêtre: I think one key finding is the persistence of industrial policy instruments. What we see is that once an industrial policy is in place, it tends to stick. According to our estimate based on current policy discontinuation rates, half of the policies would remain in life. This persistence is a very important finding because it means it is very important to get policies right, to design them well, because once they are in place, they will be around for a long time. This is why a lot of work that my colleague Brilé has been doing is precisely on how to design these instruments well. This persistence also makes it very important to evaluate the effect of these policies on the economy, because evaluation is what is needed to potentially reform policies that are not performing very well.

Another important finding is that countries do things very differently: there are lots of differences in terms of total spending and the type of instruments that are being used. Some countries use a lot of tax expenditure while others prefer direct grants and subsidies or financial instruments.

Regarding the focus of industrial policies, spending directed at specific economic sectors is still the main target of industrial policies: it represents about one-third of the measures that we cover. The question then is, are they targeting sectors that are growing or sectors that are not growing? On average, we find this negative correlation which you mentioned between public support and the sector's Relative Comparative Advantage. We also see that there is an increasing focus on support for investment and support to energy costs, but less focus on labor costs.

Anderson: We have a forthcoming project which is trying to look more at the targeting of industrial policy spending. At the end of the paper on QuIS, we touched on the finding related to relative comparative advantage, but now we're trying to examine more closely at whether countries are using industrial policy to address market failures. This forthcoming research goes more into depth on the targets of spending.

Regarding our work on designing industrial policies, we recently published the *Industrial Policy Handbook* (https://doi.org/10.1787/ff099713-en), which in the second half proposes how to reflect on industrial policies when countries pursue them. The first step is the rationale: are you addressing a market failure and then thinking more concretely about who the target is? And the scope, the shape, and then how to select firms – but the final key piece, as was touched upon by Antoine, is the evaluation component and having some sort of sunset clause such that the instruments don't persist past their utility.

JS: A well-designed industrial policy persists longer, but it may cause some economic inefficiency because, after all, it's a kind of market intervention and may distort the market to some extent. What is your take on this point?

Anderson: One thing to consider when designing industrial policies is the need to do a proper diagnosis of the economy, and one of the messages that we try to convey throughout many aspects of the work is that since economies are connected, countries need to understand the connections of their sectors to upstream and downstream sectors so that they can actually target efficiently. Understanding these linkages is pretty crucial to minimizing those distortions.

Dechezleprêtre: This is a very important point. Industrial policies, if they are well designed, can actually address and correct inefficiencies in the market. One very well-known example is the under provision of investment in research and development. It's very hard for companies to appropriate all of the benefits that are generated by innovation and so the market itself will not generate enough R&D spending. Industrial policies that support innovation activities by companies can actually correct this market failure and address inefficiency in the market. Of course, industrial policies, if they are not well designed, can also generate inefficiencies. They can protect incumbents and there are very common critiques of industrial policies such as "the State picks winners, losers pick the State." If governments are not well informed, then things can go wrong. So what our work at the OECD is focused on is first finding out whether these policies are efficient or not and then how we can design them better so that they are actually efficient and effective and help governments address the productivity slowdown and all of the other challenges that I mentioned before.

JS: I guess that's a very difficult analysis. You have to compare the efficiency of the policies with the non-economic policy goals to be achieved by a certain industrial policy, such as geopolitical policy goals.

Dechezleprêtre: It is very complicated because resilience, in the context of increased geopolitical uncertainty, can be a very important objective for some governments. And increased resilience might come at the expense of efficiency, obviously, because if you relocate your industry domestically, it might increase costs for customers. So the difficulty for governments is to measure the cost of this added resilience and the benefits in terms of lower risk of supply disruptions, for example. This is very complicated, but this is an area where we are also hoping to be able to help our Member countries better measure these costs and benefits.

Evidence-Based Policy Assessment

JS: Tell me a bit about your method for finding out whether a policy is well designed or not. Today, as you know, evidence-based policy assessment is very

common. So you have to carry out a lot of quantitative analysis or use quite a few econometric tools to prove relevancy.

Dechezleprêtre: Yes, absolutely. The efficiency of a policy really depends on its design and the domestic and international context. So what needs to be done is a proper econometric evaluation of a particular policy. It is not possible to make statements about industrial policies in general. It is not that industrial policies are good or bad; what matters is how they are designed. So you need to do proper evaluation using up-to-date econometric techniques for specific policies. We have done that a lot at the OECD in the STI Directorate, especially for R&D tax credits, for example, or R&D grants; but there is much more limited evidence of the efficiency of many policies that have not yet been properly evaluated. So there is a lot of work ahead of us to carry out more evaluations, especially of the large industrial policies, to assess their efficiency.

Anderson: We also discussed in the *Handbook* how this needs to be done. There is also a temporal element. This has to be done over time as well and be embedded from the start. Some countries do this quite actively. For example, France has a review every few years, which the evaluators make public and report on. This is something that we would advocate as part of doing industrial policy in the right way.

Observation on Government Procurement

JS: Industrial policy should contain a wide range of policy tools, not only subsidies but also tax exemptions and finance. And among these, there could be a policy option related to government procurement. Have you done some work on government procurement as well in your research?

Dechezleprêtre: First, it is very important to keep in mind that, at the OECD, we have a fairly broad definition of industrial policies. Industrial policies are defined as all interventions that are aimed at improving the performance of the business sector. So they include not only tax expenditures, subsidies, and financial instruments like loans or loan guarantees, but also demand-side policies like public procurement or standards and other complementary policies like labor market policies, competition policies, trade policies. These framework conditions also matter a lot for efficiency.

In the "Quantifying Industrial Strategies" project, we include grants, tax expenditures and financial instruments. We have not yet included public procurement in the data. We think it's a very important avenue for future research and we want to include it but we have not done it yet because there can be some disagreement between countries as to whether public procurement is industrial policy or not. So we first need to discuss it with our members.

Reports as Peer Review of Industrial Policy

JS: Moving on, what policy consequences do you expect from your project? Do you think the peer review exercise would be instrumental in stopping inefficient spending?

Dechezleprêtre: I think this is exactly what our project aims to do. What we have been doing is providing a standardized measure of industrial policy spending across the countries that participate in our project. And this is already very novel because, before our project, there was no available measurement of how much countries are spending on industrial policy. It's not that, in your annual budget document, there is a line called "industrial policy" and you can just read the number. So we needed to compute this and we did it for the first time. This is very helpful for countries because it allows them to compare themselves with each other – to do some benchmarking. It increases the transparency of industrial policy. It can help countries, perhaps, better coordinate their industrial policies with their main trade partners or neighbors. And it is also very important because it is, we think, the first step towards the evaluation of these policies. As I explained before, we find a strong persistence of industrial policies. Many governments now have strong fiscal constraints. So they might want to reallocate some funding away from inefficient towards more efficient policies. That requires evaluation, and this is what we are trying to push and to help our Member countries with at the moment.

JS: Well, you know, industrial policies may be well designed, but there may be some policies that should be abandoned as quickly as possible but still go on for political reasons. Have you noticed such policies?

Dechezleprêtre: This is not what the project tries to do. What our Member countries want to know is how much they are spending, using what instruments, for what type of objectives – is it to support sectors, is it to support labor costs and energy costs, investment in R&D, investment in fixed assets, and so on. This is what we do with this project. This gives Member Countries information on what they are actually doing and which instruments they should evaluate if they want to improve their policy landscape, but this is something that is left to our members to do.

Anderson: We do have the desire to add to the database whether a policy instrument in a given country has or has not been evaluated and we are presently doing a pilot exercise with one country. So there is a hope that in the future, you would be able to see whether policies have been evaluated or not. And then perhaps you could even make some more interesting analyses surrounding that information. So it is on the agenda to try to include this evaluation component, but it's still very much work in progress.

Information Sharing on Policies

JS: Information sharing is very important for industrial policies today, because we are faced with a geopolitical crisis. It's often pointed out that like-minded countries cooperate with each other to pursue economic security. In that sense, this kind of exercise will have some merits for those who seek

such industrial policy cooperation. Do you think so?

Dechezleprêtre: That is exactly one of the objectives of our project – provide this information and enable countries to better assess and coordinate on these industrial policies.

JS: In the WTO, there is an argument that we should have a level playing field. Do you think we need to have common rules for industrial policy spending among OECD nations or other nations for a level playing field?

Dechezleprêtre: Our point of view on this is that governments are pursuing industrial policies. It is a growing trend. It's not exploding, but it's growing; and it is important to get these policies right and as well designed as possible. So this is really what we try to help our Member countries with, in particular with the Handbook on industrial policy. It is there precisely to help our Member countries design better industrial policies.

Industrial Policy for Innovation & Entrepreneurship

JS: Do you think industrial policy spending for innovation or entrepreneurship is growing or not growing fast enough?

Dechezleprêtre: We see some growth of spending by governments on supporting R&D and innovation. We also see increased support for small firms and young firms and startups, in particular using financial instruments, including government venture capital. This is something that seems to be growing across Member countries, and it is an area where industrial policy is clearly justified. As I mentioned before, the well-documented existence of knowledge spillovers is a market failure that the government needs to address. The financial constraints that are faced by young companies are also very well documented. These are the areas where there is a strong theoretical justification for governments to intervene and support innovation and entrepreneurs.

JS: It's very difficult for us to enhance economic growth because macroeconomic policies don't work very well. What do you think?

Dechezleprêtre: Supporting innovation and entrepreneurship is clearly an important way to enhance economic growth. We know that a lot of the new jobs that are created come from these new startup companies. This is where the most radically new innovations typically come from. So I agree that these are the areas where government intervention is justified.

JS: There are countries where the labor force is not large enough. So labor mobility becomes very important. A well-designed industrial policy must, therefore, encourage labor mobility. Do you think so?

Dechezleprêtre: What we report in our data are supply-side expenditures. So it is only support to labor which goes through the companies. If the government helps companies providing training to their employees, then it is reported in our database. But if the government supports the workers directly by providing them with lifelong training, it is not included in our database. There is another data source that is available from the OECD, the OECD employment database, which monitors labor market policies, including government spending. These labor market policies are a very important aspect of industrial policy that does not go through the tax expenditures and subsidies and financial instruments that we report. It is part of these framework conditions that are extremely important for businesses to operate efficiently. There is a very important role for these types of policy as part of the full industrial policy package.

Project Follow-Up

JS: Could you please tell us about your follow-up project?

Dechezleprêtre: To begin with, we want to keep expanding the coverage of our data. First, we want to add new countries to the database so that they can compare themselves more easily. Maybe we can also go back in time, because the data starts in 2019, and we will also keep updating it. The second possible expansion involves adding more demand-side policies like public procurement. The third direction is our work on policy targeting, which tries to understand what is targeted with those industrial policies and why.

Anderson: The targeting project is looking at whether or not industrial policy spending aligns with economic theory. So is spending motivated by a market failure rationale, or is it more strategic thinking to decrease dependency on certain types of imports, or is it more related to growing versus declining sectors. So that's the next phase of the project, that is, truly dive deeper into these dynamics.

JS: The OECD has been working on outreach activities. So does it mean that this kind of exercise will be expanded towards non-Member countries like China?

Dechezleprêtre: This is something that needs to be discussed by our Member Countries and that we are ready to do, if they tell us to do so. The decision as to what we work on at the OECD is made by our Member countries in the committees. So if our Member Countries so wish, this could be an avenue.

JS: Thank you very much. This has been very instructive and we've learned a lot today. JS

Written with the cooperation of Rajesh Williams, who is a professional editor and a writer with a background in instructional design, technical writing, technical editing, and teaching.