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From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB for the meeting of the Competitiveness Council on 08 December 2025: European Preference concept throughout EU initiatives <i>- Information from Czechia, Estonia, Finland, Ireland, Latvia, Malta, Portugal, Sweden and Slovakia</i>

European Preference concept throughout EU initiatives

The changed circumstances in the world economy, underpinned by a move away from open trade by some of our main trading partners, and growing dependencies as regards strategic materials and energy, require a proactive response by the European Union. In the context of the ongoing discussions on strengthening Europe's economic resilience, sustainability ambitions and competitiveness, several ideas have been tabled on how to make our policies in certain areas, such as key industries or public procurement, more resilient and competitive vis a vis the global challenges. The discussed measures also include ideas such as "European preference" or "European content". The purpose of this non-paper is to clearly stipulate several key principles, rooted in our core values including rules-based trade, effective competition on markets and a well-functioning Single Market, that the concept of "European preference" should respect, in order to truly help enhance the EU's competitiveness, innovation and resilience.

Firstly, the signatory Member States believe that a careful and comprehensive sector specific Impact Assessment must be done before considering the potential introduction of “European Preference”. This should include an analysis of consequences for effective competition, price and quality levels, and effects on businesses. Its key principles should focus on our best means to stimulate innovation, strengthen competitiveness and scale up emerging technologies. Any form of “European Preference” needs to avoid unintended consequences for the openness or integrity of the Single Market. It must not obstruct international R&I collaboration, disrupt complex supply and value chains, distort competition or have any other negative implications for companies established in the EU that are already deeply integrated in the EU economy.

Secondly, “European preference” criteria should be used only when other instruments have been carefully analysed and proved insufficient. When used, the potential rules on European Preference need to focus on carefully defined strategic sectors, where the EU has a high-risk strategic dependency and need to be applied in a time-limited manner that allows us to re-calibrate our position when necessary. It would be especially problematic to discriminate against the law-abiding companies established in the EU that comply with EU rules and do not contravene the security interests of the Union and Member States. The same principle should also apply to companies established in the EU that provide genuine economic activity and that have their ownership or value chains located in like-minded third countries, since these make a strong contribution to the Union’s growth, innovation and employment.

Thirdly, we need to stay true to our simplification objectives. Cumbersome verification of the European origin of complex products within their value chains risks defeating all our effort put into the simplification agenda and will most likely create significant amount of administrative burden for European companies which would render them even less competitive in the global context.

Fourthly, “European preference” might also risk affecting the EU international trade relations. The cooperation with partners and openness to international trade have always been the key to European economic growth and will remain essential for strengthening our global competitiveness. This principle is also fully aligned with the EU’s agenda of competitiveness, dynamism and innovation as set out in the Draghi and Letta reports. In the current geopolitical situation, we should diversify, deepen and expand relations with our like-minded partners and thus strengthen European security, resilience and prosperity.

Competition from outside the EU is needed for innovation. If incentives for R&D and efficiency are weakened in the Single Market where only European companies operate, we risk losing competitiveness globally and quality decrease and price increase domestically, not least in public tenders. In addition, EU companies cannot always absorb the demand in every emerging sector. Commitment to European production also means more reliance on scarcity, such as space, money and labour. This may lead to a situation where there are insufficient resources to pursue other public interests.

Lastly, adopting disproportionate rules on “European Preference” as a standard in our policies could risk reallocation of the capital away from the EU and a deepening of mistrust in the multilateral trading system and in the EU as a reliable and predictable partner. Moreover, it would trigger a risk of being the target of reciprocal or other market access limiting measures by third countries. Access to third-country markets is crucial for safeguarding and strengthening the EU’s competitiveness. Therefore, any introduction of such concept in the EU legislation must be compatible with the WTO rules, EU free trade agreements and other international commitments. Furthermore, if applied broadly, “European Preference” risks depriving European companies and our consumers of choice and competition, leading to higher prices and weaker innovation.

In the light of the arguments above, we, CZ, EE, FI, IE, LV, MT, PT, SE and SK, call upon the EU Institutions to exercise the highest possible caution when devising the “European Preference” approach throughout EU legislation in order to avoid any undesirable negative impact on EU’s competitiveness.
