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Effective Competition Policy is a Cornerstone of well-functioning, resilient
and competitive Single Market
- *Information from the Czech Republic, Estonia, Finland, Ireland and
Latvia*

Non-Paper from the Czech Republic, Estonia, Finland, Ireland and Latvia

**Effective Competition Policy is a Cornerstone of well-functioning, resilient and competitive
Single Market**

General Position. The European economy stands at a crossroads. There is an urgent need for policies that boost growth, productivity and strengthen EU's competitiveness. At the same time, geopolitical tensions and supply chain vulnerabilities underline the importance of economic resilience and reducing strategic dependencies.

In this landscape the European Commission is also modernizing EU's Competition policy. This non-paper outlines key considerations for the discussion on the evolution of EU competition policy, and underlines that any reforms should safeguard effective competition.

In today's political and economic landscape promoting competition is more critical than ever. Competition between undertakings results in lower prices, higher quality, more innovation and better choice. Competition also boosts growth, productivity and competitiveness, and it helps to maintain diversity in the supply chains, a factor critical for resilience. Properly functioning competition in the Single Market makes the European companies competitive and ready to compete in the global markets.

To have well-functioning competition and a level playing field in the Single Market, *it is essential to have robust and effective Competition and State Aid Policies as well as effective enforcement of the related rules.* It also helps Europe become more competitive in relation to third countries and boosts resilience by maintaining more versatile supply chains. Digital markets do not form an exception – relaxing Competition Policy would not automatically lead to a surge of new and innovative companies entering the markets.

Relaxed Competition Policy is not the answer to unfair competition from third countries. In the past years, the EU has adopted legislation to address the unfair competition arising from foreign subsidies and to ensure that digital markets remain contestable. In addition, Trade Defence Instruments provide clearly defined criteria for answering non-market practices and unfair competition from third countries. The use or adoption of any instruments should be targeted at specific, clearly identified problems instead of sacrificing effective competition in the Single Market.

Competition Policy and the enforcement of competition rules must not be made subordinate to other policy goals. It is important that enforcement decisions are based on economic facts and actual effects on competition. Altering the existing fact-based approach - for example in defining relevant markets - would be harmful to competition, consumers and customers. This does not exclude the possibility of taking into account other policy considerations, but the main focus must be in securing effective competition in the markets. The Commission's guidance on how sustainability aspects or working conditions of solo self-employed people can be included in competition assessments are examples of this.

Merger Control Rules and European Champions. During the past several years, there has been debate on whether the current merger control rules should be altered and loosened to allow the creation of European Champions as a response to the competitive pressure from third countries and the evolving geopolitical landscape. Instead of loosening merger control rules, we must focus on ensuring effective competition - *Europe's global strength comes from open and contestable internal markets*, not from companies that have been allowed to concentrate national or EU markets at the expense of competition. *The existing rules already allow the creation of strong and globally competitive European companies where the economic evidence supports it.*

The emergence of large European companies is desirable when their scale is achieved through competition on the merits or through mergers that preserve effective competition in the relevant market. The purpose of merger control is not to limit scale, but to ensure that growth does not come at the expense of effective competition. Cross-border consolidation is often pro-competitive, and it can further strengthen European competitiveness when it enhances efficiency and innovation. However, size in itself should not be the primary objective. True European Champions are those undertakings that succeed through efficiency, innovation and fair competition instead of exemptions or special treatment, and whose growth strengthens the competitive structure of the Single Market instead of weakening it. Such Champions are also more likely to succeed globally.

Market definition and Innovation. The adoption of the Commission's revised Market Definition Notice in February 2024 was a welcome and timely update. We were pleased to see that the revised Notice did not alter the current fact-based methodology of defining the relevant markets. *Market definition is based on case-by-case analysis, economic evidence and competitive dynamics, rather than subjective assessments or policy preferences.*

The recent discussion has suggested, *inter alia*, defining the relevant markets in telecom sector European wide to allow increased consolidation and support growth in scale. Proposals that would broaden market definitions without a solid economic basis should be strongly opposed. Broadening market definition without underlying evidence would remove the ability of competition authorities to intervene in harmful market concentration. Moreover, the empirical link between higher concentration and stronger investment incentives in telecom markets is at best inconclusive and should be analyzed on case-by-case basis. Excessive concentration would risk weakening competition to the detriment of both consumers and undertakings and hence undermine rather than promote Europe's competitiveness.

To advance innovations, a call for a new “innovation defence” in the EU’s merger control regime has been made. In this regard, it should be noted that innovation aspects are already included in the merger review framework. It is nevertheless important to give guidance on the specific situations where a merger that reduces the number of competitors could still support innovation. Innovation claims should be substantiated with robust evidence demonstrating that any dynamic efficiencies outweigh potential long-term harm to competition.

Competition and Resilience. Resilience and secure supply chains are important policy objectives, especially in the current geopolitical and economic environment. *Resilience depends on diversity, open markets and competitive pressure instead of increased concentration of market power, which can heighten dependencies and reduce flexibility in times of stress.* Competition enforcement already supports resilience by ensuring that markets remain open enough for undertakings to switch suppliers and maintain credible multi-sourcing options.

Having a variety of businesses in the Single Market supports the undertakings’ ability to multi-source and be resilient to shocks. By contrast, less competition risks making an economy too dependent on a small number of suppliers and thus less resilient. As a result, if strengthening resilience and secure supply chains is considered to require additional regulatory measures, these should be pursued through sectoral or industrial policy instruments rather than through changes to competition legislation.

Based on the considerations presented above, the signatory Member States call on the European Commission to evaluate any potential adjustments to EU Competition Policy with utmost diligence in order to avoid undesirable effects. Any reform must be supported by robust evidence, respect the core principles of effective competition and ensure openness and contestability of the Single Market. Strong Competition Policy remains one of the EU's most powerful and important instruments for promoting competitiveness, innovation and resilience in an increasingly complex geopolitical and economic environment.
