

Strategic procurement in Global Europe: Why EU preferences risk undermining its own ambitions

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Summary

Public procurement is a potentially powerful lever for translating the EU's geostrategic ambitions into operational reality. This brief argues that the current approach to EU preferences in external procurement might be well-intentioned but risks being self-defeating. It also sets out a more effective path forward.

Through instruments such as Global Gateway, the Ukraine Facility, and the proposed new Global Europe Instrument, the EU deploys vast external financing across Africa, Latin America, Asia, and its neighbourhood. The central concern is that EU-backed funds should not inadvertently benefit state-backed strategic competitors – particularly Chinese enterprises that systematically capture infrastructure and clean-technology contracts using sovereign financing that European firms cannot match on a level playing field.

We identify five structural reasons why blanket eligibility restrictions fail. European firms are frequently absent from external tenders not only due to unfair competition but also due to security risks, deployment costs, and commercial thresholds – barriers that eligibility rules do nothing to address. Circumvention via locally registered subsidiaries is trivially easy, while enforcement is operationally unmanageable. Eligibility restrictions are legally incompatible with the mandates of multilateral co-financiers, threatening the co-financing architecture the EU depends upon. EU content requirements may undermine project economics in emerging markets. And using foreign policy instruments, industrial subsidies may also undermine the EU's credibility as a genuine development partner.

We set out six recommendations, four of which do not require explicit EU preferences: i) adopt smart tendering design using weighted quality and carbon criteria; ii) invest in upstream project origination; iii) protect the MDBs co-financing architecture; and iv) build collective market intelligence capacity; and two with explicit EU preferences: v) embed a 'Made with Europe' reciprocity framework, and vi) replace nationality tests with 'controlling entity' criteria. Effective strategic procurement means shaping markets – not restricting them.

1. The case for EU preferences in external procurement

In a more fragmented and tumultuous world, the European Union (EU) seeks to reassert itself, promoting its competitiveness, strategic autonomy, resilience and supply diversification. Faced with fiscal constraints and a global economy increasingly shaped by great-power rivalry and interventionist policies, the EU is seeking to focus its efforts and limited resources on advancing its economic and strategic interests more effectively.

This is the case notably in public procurement, which accounts for roughly 14–15% of EU GDP. For decades, the EU treated this spending power as a function of efficiency and transparency, governed by principles of open competition and value for money. That consensus has broken down. The EU now explicitly aims to use its procurement decisions – both inside the Single Market and in the external instruments it funds globally – to advance strategic industrial, geopolitical, and economic security objectives. The question of who builds, supplies, and benefits from EU investments has become a front-rank political issue.

The core concern is straightforward: EU public money should help Europe, not its competitors. EU funding is channelled through traditional aid in the form of grants, development finance (e.g. the European Fund for Sustainable Development Plus (EFSD+) guarantees and blending resources or the Ukraine Facility) and trade finance, all of which are expected to mobilise over €135 billion in investments and subsequent tendering opportunities. These should i) not disproportionately benefit the EU's strategic competitors; ii) be leveraged to strengthen European geoeconomic interests; and iii) be one of the tools (besides other industrial policy-related measures) leveraged to support the EU competitiveness agenda. Instead, state-backed enterprises from China and other actors pursuing state-directed investment strategies have actively sought to capture infrastructure, access to critical minerals and clean-technology contracts in regions where the EU has vital political and economic interests. They do so backed by sovereign financing, export credits, and supply-chain advantages that EU firms operating under market conditions cannot replicate on a level playing field.

This is both a geoeconomic and a geopolitical problem ([Farrell and Newman, 2019](#)). When a Chinese state enterprise builds a port, a railway, or a digital network in a partner country using EU-backed finance, it is not merely winning a commercial contract. It is embedding a strategic presence, shaping standards, building political dependencies, and often locking in supply chains and operational contracts for decades. Similar patterns, driven by different actors and instruments, are visible, for instance, with Gulf-backed investors in energy infrastructure, US digital platforms in data and connectivity, and Russian state entities in nuclear and extractive sectors. The EU has been slow to recognise that

the procurement rules attached to its external spending are a first-order instrument of geoeconomic statecraft, not a technical afterthought.

The political salience of this issue has risen sharply. Taxpayers and parliaments increasingly ask why EU development funds are being used for financing strategic assets built by heavily subsidised competitors and systemic rivals. If the EU cannot provide a credible answer to that question, the political foundations of European development cooperation and finance, which require sustained public support and parliamentary majorities, are at risk. Procurement rules are one dimension of external aid that non-specialists intuitively understand.

The EU has begun to respond. The Ukraine Facility (Regulation (EU) 2024/792) introduced, via Article 11, explicit eligibility restrictions limiting procurement to EU Member States, Ukraine, Western Balkan partners, EEA states, Georgia, Moldova, and countries granting reciprocal access. The Western Balkans Reform and Growth Facility (Regulation (EU) 2024/1449) applies analogous rules under Articles 7–8. The International Procurement Instrument (IPI, Regulation (EU) 2022/1031), in force since August 2022, empowers the European Commission to restrict third-country access to EU procurement markets where those countries do not offer reciprocal access to EU firms – with its first concrete implementing measure applied in June 2025 (Implementing Regulation 2025/1197). The proposed Global Europe Instrument under the proposed 2028–2034 long-term budget for the EU (COM proposal 52025PC0551), consolidating the current NDICI–Global Europe Instrument, Ukraine Facility, Western Balkans Facility, and IPA III under a single €200 billion envelope, is expected to embed and extend this preference logic at far greater scale, with Article 20.

These development have been mirrored in EU policies focusing on the EU single market – marking a shift that derives directly from, and is consistent with, a sweeping reorientation of EU domestic industrial policy toward strategic autonomy, economic security, and industrial competitiveness – a shift crystallised in the 2024 Draghi Report, which identified public procurement as a vital and under-utilised lever to restore a level playing field against heavily subsidised foreign competitors ([Draghi, 2024](#)) (Box 1).

Box 1: Domestic regulations introducing a European preference in public procurement

The Net-Zero Industry Act (Regulation (EU) 2024/1735, in force June 2024) introduced mandatory non-price criteria in public procurement for clean technology sectors, requiring contracting authorities to consider supply-chain resilience, sustainability, and diversification – not merely the lowest price (Articles 25–28). Another example is the proposed Industrial Accelerator Act (IAA, Commission proposal of 4 March 2026), which goes further, introducing explicit “Made in EU” origin thresholds: minimum EU-sourced shares for steel, aluminium, and cement in public construction contracts, and specific EU component quotas for clean technologies. Crucially, the IAA extends its “Made in Europe” label to countries with EU free trade agreements, effectively operationalising a “Made with Europe” model grounded in reciprocity. Last, the Foreign Subsidies Regulation (Regulation (EU) 2022/2560, in force July 2023) adds an important defensive layer, allowing the Commission to investigate and bar procurement bids from companies in receipt of distortive state subsidies above defined thresholds. The Single Market Strategy (COM(2025)500, May 2025) and the forthcoming revision of the Public Procurement Directives ([Ashton and Karamfilova, 2026](#)) will mainstream European preference criteria across strategic sectors of the Single Market.

Source: The authors.

This domestic architecture matters for the external dimension in two ways. First, it provides the political and legal logic underpinning the preference clauses in external instruments: the EU is not imposing in partner countries standards it refuses at home. Second, it shapes the industrial capacity and supply-chain depth that determines whether EU preferences in external procurement are commercially viable or merely aspirational. Yet, some have raised questions regarding the coherence between internal and external regulations, notably on the implications of the IIA provisions for investments outside the EU.

The direction of travel is clear: EU external instruments are being progressively redesigned to ensure that EU spending benefits EU companies and trusted partners and does not inadvertently finance the expansion of strategic competitors. This ambition is legitimate. The critical question is whether the tools being deployed will achieve it.

2. The challenges: a captured-market assumption that does not hold

The design of EU procurement preference clauses in external instruments reflects an implicit assumption: that the EU's spending power is large enough to effectively capture a market for European firms – that restricting eligibility to EU companies and trusted partners will, by definition, translate into a larger European market share. In practice, the evidence increasingly suggests the opposite. Stringent preference rules risk not only failing to deliver their stated goals but actively undermining the EU's capacity to spend effectively, attract co-financing, and maintain a commercial and political presence in the very regions they target.

In other words, simply restricting eligibility does not create European supply; it may instead create no supply or drive promoters and financiers toward non-European partners who face no such constraints. The following challenges illustrate why the current approach risks being self-defeating.

2.1 Eligibility restrictions do not address all the real barriers to European participation

Eligibility rules operate on the assumption that European firms are being de facto excluded from EU-funded procurement solely because they face unfair competition, and that removing foreign competitors will allow them to win. In many contexts, this assumption does not fully hold. European firms frequently choose not to bid for external tenders because of structural barriers: security risks in conflict-affected environments, prohibitive costs of insuring and deploying qualified personnel, unfamiliarity with local regulatory environments, and commercial thresholds below which large European construction and infrastructure firms will not mobilise. In Ukraine, for example, surveys conducted by the EIB found that EU firms' non-participation was driven overwhelmingly by security concerns and deployment costs, not by the presence of Chinese or other non-EU competitors. Eligibility restrictions do nothing to address any of these barriers. They impose high administrative costs while leaving these underlying problems entirely untouched.

Moreover, the premise that EU competitors win solely because they provide lower, subsidised prices rather than because of their competitiveness and the quality and sustainability of their offers has become increasingly doubtful. In sector after sector, Chinese state-backed firms and other well-capitalised competitors now meet or exceed European technical and quality benchmarks. Public procurement and eligibility restrictions can be relevant in some specific contexts to address unfair competition, but are in no way a solution in themselves to mitigate or

somehow offset the lack of competitiveness or the absence of some of the European industries and actors.

2.2 Circumvention is easy while enforcement is impossibly burdensome

Unlike the sanctions-based exclusion of Russia – which was operationally straightforward because Russian firms had a limited embedded presence in EU-financed supply chains – restricting the participation of Chinese state-backed enterprises is structurally far more complex. Chinese state firms are deeply embedded in global supply chains, manufacturing networks, and subsidiary structures. The standard response, i.e. establishing a locally registered subsidiary within an eligible country, is straightforward and already common practice. The “effective establishment” criterion used in current regulations is insufficient to address this: it is routinely circumvented by shell companies incorporated inside the Western Balkans, Ukraine, or other eligible jurisdictions.

The Commission’s response – requiring financiers to screen for the “ultimate controlling entity” down to the subcontractor level – has produced an enforcement burden that might become operationally unmanageable. Besides, it generates significant transaction costs (additional costs and time), in a context where i) responses and investments must be more agile and flexible; and ii) competition from other global powers is fierce. Under Article 11 of the Ukraine Facility, financial institutions co-financing EU-backed projects have been required to audit individual subcontractors, including single-person consultancies, to verify compliance. For a technical assistance facility deploying specialist consultants in a conflict environment, this is not a proportionate regulatory requirement, as it is an operational impossibility. Cases have arisen where Swiss commodity traders (the primary suppliers of gas to Ukrainian energy infrastructure) were found to fall outside Article 11’s eligibility scope, requiring the Commission to grant ad hoc exceptions while explicitly warning that such exceptions would not be repeated. This brittleness seems unsustainable at the scale of a €200 billion external instrument such as the Global Europe Instrument.

2.3 Stringent rules are driving away the MDBs’ co-financing architecture

Perhaps the most serious systemic risk is the threat to the multilateral co-financing architecture that underpins EU external investment capacity ([Karaki and Bilal, 2025](#)). The EU does not have the balance sheet to finance large-scale infrastructure projects unilaterally, nor would it be a strategic use of resources in a context where it needs to leverage financial resources from other public and private actors to do more with less. Part of its leverage depends on blending its concessional resources with the financing capacity of multilateral development banks (e.g. EIB, EBRD, the World Bank, IFC, regional development banks) and bilateral development finance institutions (DFIs). These institutions are bound by

their founding statutes, which prohibit restrictions on procurement eligibility; notably, MDBs cannot legally apply EU-origin sourcing rules to projects they co-finance.

The practical consequence is already visible. Under the Ukraine Investment Framework, the EBRD has been the dominant delivery partner, accounting for approximately 88% of operations with formal inclusion notices under the open-access window. Applying eligibility rules that are legally incompatible with the EBRD's own procurement framework does not merely create administrative friction: it threatens to undermine co-financing endeavours, collapsing a delivery architecture that the EU has been actively promoting; and it induces the Bank to seek exemptions on a project-by-project basis, which generates additional costs and undermines predictability.

This also has implications even for purely European financial institutions such as the EIB: not being able to co-finance with the EBRD and World Bank in Ukraine will undermine its ability to finance large-scale projects, or will push the Bank to take more risks and leverage less by increasing its share (generally capped at 50% of the total volume of an investment operation). The same dynamic applies to European bilateral DFIs that have expanded their blended finance operations under EFSD+ arrangements over the past decade. If EU procurement preferences effectively render concessional finance legally unusable by these institutions, they face an impossible choice: withdraw from EU-backed blended facilities, or risk violating their own institutional mandates. Some have begun to reorient their financing partnerships away from EU instruments as a result. Even public development banks, such as the Agence française de développement (AFD), which have dedicated tied-aid envelopes (up to 10% for AFD), could see their EU-backed operations and co-financing strongly limited with stringent EU procurement preferences.

2.4 EU content rules raise costs and destroy project economics in external markets

Mandatory European content requirements in externally financed projects face a fundamental supply-side constraint: European manufacturing capacity in several strategic sectors, such as clean technology, is currently insufficient to provide large-scale projects in emerging markets at competitive cost and within viable delivery timelines. This is not a temporary gap but a structural reality that EU domestic industrial policy is only beginning to address.

In the renewable energy sector, the cost implications are concrete and significant. Switching from best-available-market inverter supply to European-sourced alternatives adds an average of approximately 10% to total project CAPEX costs for utility-scale solar projects in North Africa and sub-Saharan Africa. On a

2-gigawatt solar project combined with 4 gigawatts of battery storage – the kind of flagship infrastructure the Global Gateway aims to deliver – this premium not only destroys project economics but increases equipment delivery timelines by a factor of 2.5, given the limited number of European inverter suppliers capable of operating at gigawatt scale. In an asset class with tight margins and strict financial close deadlines, such delays and costs would not be manageable. The direct consequence is that European project developers operating in emerging markets would have to actively diversify their financing partnerships away from European lenders and DFIs whose procurement conditions make projects unfinanceable, precisely the opposite of what the EU’s competitiveness agenda intends.

Within the EU Single Market, there is political willingness to absorb the cost premium associated with European content requirements. Outside the EU, however, particularly in highly competitive and capital-constrained emerging markets, such willingness may be absent. Applying identical content requirements across these markedly different contexts would be a strategic mistake—one the EU can ill afford, and that may also run counter to its objective of fostering mutually beneficial partnerships with partner countries. The latter dimension – and the fact that the “Made in Europe” approach may translate into more expensive offers – is of particular importance for partner countries, given the rising issue of debt and liquidity, highly prevalent in low- and middle-income countries.

2.5 Conflating instruments: Global Europe should be a foreign policy tool, not an industrial subsidy

A fundamental conceptual problem underlies the current debate: the EU is attempting to use its external financing instruments simultaneously as foreign policy tools, development instruments, and industrial policy mechanisms, without acknowledging that these objectives are frequently in tension. Global Europe, the Ukraine Facility, and the Western Balkans Facility were designed primarily as foreign policy instruments: to advance the EU’s external political objectives, support partner countries’ development and reform agendas, and maintain EU influence in strategic neighbourhoods. They were not designed as industrial subsidies for EU firms.

The EU already has dedicated instruments for domestic industrial scaling: the proposed European Competitiveness Fund (ECF) and the domestic procurement preference architecture of the IAA and the forthcoming Public Procurement Act. Repurposing external instruments as industrial subsidy mechanisms is not only analytically confused but also structurally inefficient.

There is also a deeper foreign policy risk. If partner countries perceive EU development finance as primarily an instrument to advance EU commercial interests rather than support genuine development partnerships, the EU's credibility as a development actor – and its ability to leverage that credibility for geopolitical ends – is eroded. The EU's geopolitical influence in partner countries rests on being a credible and trusted partner; that credibility is undermined if EU procurement rules are seen as extractive rather than cooperative.

2.6 Strategic decisions made without strategic market intelligence

Underpinning many of these problems is a governance deficit. Procurement preference decisions of major geopolitical consequence are taken without the sectoral analysis, market intelligence, or supply chain mapping needed to assess their likely effects. The May 2026 vote in the Ukraine Facility Committee to grant reciprocal procurement access to the United States, United Kingdom, Japan, and Canada – a decision with significant implications for European industrial interests and for EU relations with these partners – was presented to Member States without prior sectoral analysis, comparative economic data, or strategic assessment. The formal requests from these four countries had been pending since mid-2024; the Commission brought them to the committee without preparatory documentation. This is not an isolated incident but symptomatic of a broader pattern in which procurement preferences are treated as political signals rather than operationally designed instruments.

Without a rigorous, sector-by-sector mapping of where European firms hold genuine competitive advantages, where supply-chain capacity exists, and where preference rules are commercially viable, strategic procurement risks becoming a rhetorical exercise that generates political comfort while creating operational damage.

3. Recommendations: effective responses to a political demand that cannot be ignored

The political demand for EU preferences in external procurement is understandable and will not recede. Taxpayers and parliamentarians have a reasonable expectation that EU public money does not fund the strategic expansion of the EU's competitors, let alone systemic rivals. The challenge for policymakers is to channel this demand into approaches that are operationally effective, legally sustainable, and consistent with the EU's broader foreign policy interests – rather than blunt instruments that generate political visibility while undermining the EU's actual objectives. We distinguish between two sets of

recommendations: those that can enhance EU opportunities without explicit EU preference, and those that provide for an explicit EU preference.

3.1 Strategic procurement without explicit EU preference

3.1.1 Go beyond a regulatory approach to exploit the strategic procurement toolbox

The most important practical reform is to replace one-size-fits-all eligibility bans with sophisticated, context-specific tendering criteria that organically favour European and allied-country offers without triggering WTO challenges, legal disputes with co-financing partners, or supply-chain failures. It does not imply the absence of eligibility exclusions; rather, it suggests that such exclusions should be context-specific rather than systemic. The EU's procurement toolbox is far richer than simple nationality restrictions, and its most effective instruments are largely untapped in external contexts ([DigitalEurope, 2025](#)). Concrete tools include:

- **Weighted quality criteria:** Shifting evaluation weightings toward technical quality, sustainability, and lifecycle performance – up to 50% of total score, as introduced in the EBRD's revised procurement policy effective September 2026 – organically advantage technically sophisticated offers where European and allied firms hold genuine comparative strengths. This approach is consistent with EU GPA obligations and MDB co-financing rules.
- **Full supply-chain lifecycle carbon-intensity metrics:** Mandatory carbon footprint criteria across the whole production chain filter out competitors relying on coal-intensive manufacturing without requiring explicit origin designations. European clean-technology firms operating with lower-carbon supply chains benefit systematically, reducing the need for any nationality requirement.
- **Local employment and skills-transfer requirements:** Requirements such as the 30% local job creation threshold for construction contracts already embedded in the Western Balkans Facility effectively disadvantage contractors that import their own workforces – a standard practice among some state-backed competitors – while serving genuine development objectives and remaining legally defensible.
- **Mandatory early market engagement:** Consulting the European and allied private sector during tender design allows technical specifications, financing conditions, and delivery requirements to be calibrated to European strengths before procurement opens. This is among the most cost-effective tools available and requires institutional commitment rather than regulatory change.

- **Strategic project origination:** From the outset, direct EU investments in markets where European industries and actors have a competitive advantage (see Section 3.1.2).

This approach requires investment in procurement expertise within EU delegations, financial institutions, and contracting authorities, including in market intelligence, that can help understand which public procurement tools are most relevant in given contexts (see Section 3.1.4). The returns, in terms of European market share, project quality, and legal certainty, substantially exceed those of eligibility restrictions.

3.1.2 Invest seriously in strategic project origination

The most durable lever for increasing European market share in externally financed infrastructure is not procurement rules but project origination. What is originated is what gets financed and built. State-directed competitors do not win contracts primarily by undercutting at the tender stage; they win by embedding themselves in project pipelines years earlier, shaping technical specifications, financing structures, and technology choices long before procurement opens.

The EU and its financial institutions — including the EIB, EBRD, and JEFIC network members (KfW, AFD, CDP, BGK, AECID) — need to invest substantially in upstream project origination: engaging with project sponsors, government clients, and local partners at the feasibility and design stage to shape projects around EU and allied-country technical strengths, environmental standards, and financing models. The Global Gateway Investment Hub was designed in part for this purpose, but has yet to function as an effective origination engine. It will also be important to involve European export credit agencies (ECAs) at an early stage and extend EU guarantees and technical assistance support to ECAs under the forthcoming European Competitiveness Fund and Global Europe Instrument under the next EU long-term budget ([Bilal et al., 2025](#)). Team Europe coordination between EU institutions, Member State bilateral finance institutions, and the private sector in Europe and partner countries needs to be strengthened, specifically at the pre-pipeline stage.

Origination also requires a strategic sectoral mapping exercise: identifying rigorously, sector by sector and region by region, where European industry holds genuine comparative advantages today and where it can realistically build them, so that project pipelines and procurement strategies can be aligned to commercial reality rather than political aspiration (see Section 3.1.4).

Yet, strategic project origination means potentially additional costs and time, and a project-focused type of approach. While it can make most economic sense for large-scale Global Gateway projects, different tools may be needed for smaller

projects and a portfolio-type approach. In addition, this will demand another kind of effort (and therefore incentives) from investment officers and policy-makers, so that they can better factor whether potential investment operations are (or not) conducive to benefiting EU economic players.

3.1.3 Distinguish instruments by purpose and protect the co-financing architecture

The EU should clearly differentiate those instruments and procedures that aim at genuine development and partnership objectives from the industrial policy and economic security objectives for EU firms, and tailor the degree of procurement preferences accordingly. There is no one-size-fits-all procurement preference framework.

The EU must also take concrete steps to preserve the operational capacity of its IFI and DFI delivery partners. This means designing procurement preference clauses in external instruments that are legally compatible with MDB procurement frameworks, or providing explicit and operational carve-outs for co-financed projects. The alternative – losing the EBRD, IFC, and European DFIs as delivery partners through regulatory incompatibility – would reduce EU external investment capacity far more than any marginal gain in European market share from eligibility restrictions.

3.1.4 Build a collective strategic and market intelligence architecture

Strategic procurement decisions require strategic intelligence. The EU currently lacks a systematic mechanism for aggregating the market intelligence that its financial institutions, Member State bilateral agencies, EU delegations, and private sector partners collectively hold on project pipelines, competitive landscapes, and European firms' capabilities in specific markets and sectors. This intelligence exists in fragmented form across dozens of institutions but is not synthesised for policymakers.

Establishing a collective intelligence function – building on existing structures such as the Global Gateway Investment Hub and Team Europe frameworks – would allow procurement preference clauses to be calibrated to actual supply-side realities, co-financing constraints, and sector-specific competitive dynamics. It would also enable early identification of the sectors and geographies where European preference criteria are commercially viable, and those where they will simply destroy project pipelines. Procurement decisions of the magnitude being contemplated in the next EU long-term budget, the 2028–2034 multi-annual financial framework (MFF), deserve this analytical foundation.

3.2 Explicit EU preferences

3.2.1 Adopt “Made with Europe” as the operational framework

The EU can adopt “Made with Europe” as the operational framework underpinning its competitiveness, industrial, and external economic policies. In an interconnected global economy, a purely “Made in Europe” approach is neither economically realistic nor strategically desirable. Europe cannot and should not seek complete self-sufficiency across all technologies, inputs, and industrial value chains. Strategic autonomy requires not isolation, but the capacity to build resilient supply chains and trusted partnerships that reinforce European competitiveness and economic security.

“Made with Europe” should therefore be understood as a framework for organising economic cooperation with trusted partners based on reciprocity, shared standards, and mutual market access. Rather than relying on blanket origin requirements, the EU should adopt a differentiated and strategic approach aligned with its competitiveness and geoeconomic objectives ([Eurochambres, 2026](#)). Procurement policy is one instrument within this broader toolbox, alongside trade agreements, industrial partnerships, investment frameworks, development finance, export support, and regulatory cooperation.

In practice, this approach would establish a clear reciprocity-based eligibility framework for EU-supported procurement and financing operations. Participation would extend beyond EU firms to companies from countries that maintain comparable levels of openness and strategic alignment with the Union, including EEA countries, accession candidates, FTA partners, G7 economies, and other designated strategic partners. At the same time, the framework would preserve the EU’s ability to restrict participation from countries whose firms benefit from significant state support while offering limited reciprocal access to European companies. Security issues in sensitive sectors could also justify further restrictions.

The forthcoming Global Europe Instrument should build on these precedents and establish a coherent framework across the EU’s internal and external policies. Clarifying how reciprocity provisions under the IAA interact with external financing instruments will be essential to avoid fragmentation and provide predictable rules for public authorities, businesses, and financial institutions. A common “Made with Europe” framework would strengthen policy coherence across procurement, trade, development finance, and industrial policy while facilitating cooperation with multilateral development banks and development finance institutions whose mandates limit the use of strict nationality restrictions.

By connecting Europe’s internal competitiveness agenda with its external partnerships, “Made with Europe” can provide a practical and politically

sustainable foundation for strengthening European industrial capabilities while preserving the openness and international cooperation on which Europe's economic model depends.

3.2.2 Close the circumvention loophole via the 'controlling entities' criteria

When European-content criteria are employed, the effective-establishment test should be supplemented by a control-based assessment focused on the ultimate exercise of decisive influence over the bidder. Such an approach would allow contracting authorities to distinguish genuinely European operators from entities that merely maintain a European legal presence, while remaining effectively controlled by third-country governments or state-backed actors. EU beneficial-ownership rules offer a readily available framework for tracing ownership structures and identifying ultimate controlling entities, thereby providing an administratively feasible means of implementing such an assessment. Compared with nationality-based exclusions, a control-based approach is more proportionate because it targets the source of potential market distortion (i.e., effective control and influence) rather than formal origin alone.

4. Conclusion

The EU's push for preferences in external procurement reflects a genuine and understandable concern: that EU taxpayers' money should not inadvertently finance the strategic expansion of geopolitical competitors, and that EU development and neighbourhood finance should benefit European companies, technologies, and value chains. This concern is not going away, and any effective response must take it seriously.

But the current trajectory - characterised by blanket eligibility restrictions and approach, rigid European content requirements, and a captured-market assumption that does not reflect the realities of global project finance - risks producing a worst-of-all-worlds outcome. The EU may appear protectionist to partner countries and G7 allies. It may lose the co-financing capacity of the multilateral and bilateral financial institutions that give its external spending genuine leverage. It may raise project costs in ways that drive European private developers away from EU-backed finance. And it may still fail to prevent state-backed competitors from accessing EU-funded procurement through subsidiary structures. The political optics improve; the strategic outcomes do not.

Effective strategic procurement is not about restricting the market. It is about shaping the market. The EU has more and better tools for that task than it is currently using.

A smarter approach, combining rigorous tendering design, serious investment in project origination, and a collective market intelligence architecture, would deliver more European market share, more European influence, and more credible protection against competitor penetration than any amount of eligibility restriction. It would also preserve the operational capacity of the IFI and DFI partners, without whom the EU cannot deploy its external ambitions at scale. In context-specific, more sensitive cases, a “Made with Europe” reciprocity framework and controlling entity criteria can be used.

The 2028–2034 MFF negotiations, including the forthcoming Global Europe Instrument and European Competitiveness Fund, are the moment to get this right. The architecture being built now will govern EU external spending for a decade. It should be built on operational realities, not political assumptions, and be designed to win, not merely to restrict.

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