U.S. NON-PAPER ON EUROPEAN PREFERENCES IN THE MULTINATIONAL FINANCIAL FRAMEWORK (MFF) EUROPEAN COMPETITIVENESS FUND (ECF)

We have previously voiced concern that blanket EU preference provisions in the European Commission’s European Competitiveness Fund (ECF) proposal under the Multiannual Financial Framework (MFF) would undermine our historically strong trade ties, hinder research and intellectual property sharing in strategic sectors, including defense, and place undue burden on European and international companies that work with international partners.

Additionally, EU preference provisions may be inconsistent with the Joint Statement on a United States-European Union Framework on an Agreement on Reciprocal, Fair and Balanced Trade; commitments made by the EU under the WTO Agreement on Government Procurement (GPA); and bilateral Reciprocal Defense Procurement Agreements (RDPAs) the United States has signed with 19 EU member states (Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovenia, Spain, and Sweden).

We were disappointed that Council of the EU’s agreement on the MFF framework in June did not revise European preference provisions under ECF and retained European preference conditions in procurement and award procedures under the Global Europe Fund.

While we support measures to block the participation of untrusted vendors and suppliers, measures that exclude the United States and GPA parties will weaken the EU’s competitiveness and security.

Our $9.8 trillion economic relationship, the largest in the world, has driven mutual prosperity and competitiveness. U.S. trade and investment have underpinned European prosperity since the end of World War II. We support the EU’s intention to increase its economic competitiveness, but limiting partnerships with dynamic trade partners like the United States will not lead to greater growth for Europe.

We urge EU co-legislators to remove EU preference provisions in the MFF that would impede partnership and collaboration with the United States and instead incorporate principles of “made with Europe” or, in the security and defense space, “made in NATO.”

Specifically, in the **ECF proposal**:

- Restrictions on sourcing, control, and transfer of project results and intellectual property under **Article 10** risk excluding EU-based subsidiaries of international companies, disrupting established supply chains, and stifling transatlantic research and development

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collaboration. In the fields of defense and space, this would weaken NATO interoperability and risk slowing Europe's rearmament at a critical time.

- **Article 11** introduces a pay-to-play model association agreement structure requiring an entry fee for third-country participation, similar to that employed under the Security Action for Europe (SAFE) program. A fee-based entry requirement would severely restrict U.S. and partner country ability to collaborate under ECF, undermining our long-standing R&D cooperation and barring Europe from benefiting from U.S. cutting-edge innovation and technology.

- **Article 51** adds third-country content and design authority restrictions on defense and space funding. The United States has repeatedly raised our concerns that such burdensome restrictions would inhibit European countries from procuring cutting-edge U.S. defense technology and weaken interoperability between the United States and 23 of 32 NATO Allies.

The United States fully supports European rearmament and associated investments. However, protectionist restrictions in SAFE and those proposed for ECF will weaken the transatlantic defense industrial base. Supercharging the transatlantic defense and space industrial base is the fastest and most efficient way to ensure NATO readiness and strengthen our collective defense capabilities against common threats.

With further expansion of European preference measures in EU defense funds, the United States will review all potential response measures, including a rollback of the existing "Buy American" blanket waivers and exceptions associated with the RDPAs with 19 of the 27 member states.

In the **Global Europe Fund** proposal, we encourage revision of eligibility criteria under **Article 20** to include implementers and suppliers from any third country, while reserving restrictions for untrusted vendors. This would ensure that European assistance produces the best outcomes and uses every euro as efficiently as possible.

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