From Rhetoric to Regulation: The Rise of "Buy European" Industrial Policy

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The European Commission is about to publish the Industrial Accelerator Act (IAA), a legislative proposal designed to strengthen the EU's industrial capacity in strategic sectors.

At its core lies a politically charged question: how far should Europe go in embedding "Buy European" requirements into its industrial policy?

With the IAA, and other similar regulations for public procurement, technology and defence, Brussels is constructing a broad policy framework aimed at reinforcing industrial resilience through European preference. "Made in Europe" is the central and most contested tool in that effort.

A Balancing Act

Within the European Commission, the political push for stronger preference has been led by Executive Vice-President Stéphane Séjourné. His open letter, signed by more than 1,000 companies and associations, called for robust "Made in Europe" criteria in public procurement and funding schemes.[1]

Commission President Ursula von der Leyen, by contrast, has remained notably cautious on the operational details. While repeatedly emphasising the need to strengthen strategic sectors and reduce dependencies, she has avoided publicly endorsing the specific scope of any "Made in Europe" requirements.

Originally intended for publication in late 2025, the Commission has since postponed the final IAA proposal twice. The latest draft establishes an aspirational target to increase EU manufacturing to 20% of GDP by 2035 and shifts the focus more explicitly towards selected supply chains dominated by China, including batteries, solar PV and electric vehicles.[2]

At the same time, it introduces a "trusted partner mechanism", allowing the Commission to extend "Made in Europe" status to selected countries not part of the EU or the European Economic Area. This might reduce the risk of a perceived "Fortress Europe" approach but increases the risk of making market access for non-EU companies dependent on political designation.

From "Made in Europe" to "Made with Europe"

The core political debate reflects an ongoing Franco-German divide. France frames European preference as "protection, not protectionism", arguing that Europe can only pursue ambitious climate and digital transitions with sovereign industrial capacity.[3] Paris supports deeper "Made in Europe" criteria and sees public procurement, which accounts for around 15% of EU GDP, as a lever to rebuild industrial strength.[4]

Germany has centred its approach on competitiveness reforms of the EU's internal market. Berlin is open to narrowly defined and proportionate European preference in jointly designated strategic

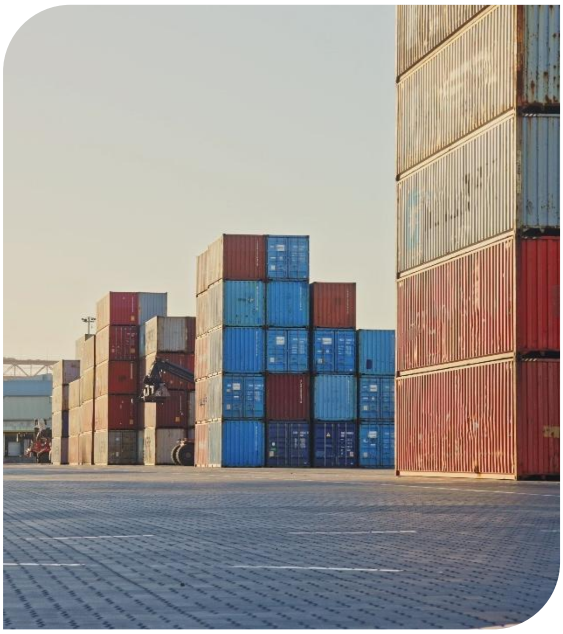
[1] "Made in Europe": "The political tug-of-war that is being played out in Brussels has prompted Stéphane Séjourné to show off his troops: European industrialists"
[2] New IAA draft: Commission opens up Buy European concept
[3] Fix the EU economy with 'protection, not protectionism', says Macron
[4] Commission publishes evaluation of EU Public Procurement Directives - Internal Market, Industry, Entrepreneurship and SMEs

sectors but resists broad origin requirements or open-ended industrial conditionality. Its concerns focus on cost impacts, trade retaliation and single market fragmentation. The preferred definition is described as “Made with Europe”: targeted preference combined with trade openness.

The Commission’s challenge is to reconcile these two logics within a single legislative framework.

Business Implications: Investment Risk and Strategic Alignment

For businesses operating in the EU, the emerging compromise appears narrower in scope than much of the political rhetoric suggests but still consequential.



On foreign direct investment (FDI), the EU is looking to introduce additional screening provisions in sectors deemed strategically sensitive. These provisions focus on value chains where a third country controls more than 40% of global supply capacity. In such cases, new investment approvals may be subject to additional requirements, including joint ventures with EU-based partners, minimum EU workforce thresholds, R&D commitments and localisation of critical supply chains.

One important caveat is that investments covered by the EU’s free trade agreements benefit from an exemption, limiting the impact of the new rules, especially as the EU is currently expanding its trade partnerships (e.g., Mercosur, India and Australia).

The introduction of the “trusted partner mechanism”, however, adds a new layer of uncertainty. While it may allow the inclusion of strategic partners such as the UK, Canada and Japan in public procurement and EU funding schemes, it also adds a political dimension to market access.

For non-EU companies, eligibility will increasingly depend not only on commercial competitiveness but also on geopolitical dynamics. For EU-based firms in strategic value chains, the shift may create short-term advantages in public tenders. For multinational supply chains, it introduces complexity in sourcing, investment planning and long-term risk modelling.

The Broader Framework: Procurement and Tech Sovereignty

The IAA does not stand alone. The Public Procurement Framework revision, expected in April, will codify resilience criteria horizontally across European procurement procedures. New rules are also being defined for technology, defence and energy.

Taken together, these initiatives signal a structural shift: European preference is being embedded across policy domains from climate and defence to state aid and digital. The question is not whether European preference will exist, but to what extent it will be applied.

The Way Forward

The boundaries of European preference remain contested. While the direction of travel towards greater resilience is clear, the final shape of the European preference regime and its practical implications will depend on politically charged negotiations among the member states and with the European Parliament. Scope, thresholds and the operation of the trusted partner mechanism remain subject to change.

For business, however, the impact is likely to begin before the legislation is finalised. Investment decisions, procurement strategies and supply chain adjustments are already being influenced by political signalling. The debate itself is reshaping expectations.

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