

EU Policy Brief

September 2026



Key Policy & International Highlights

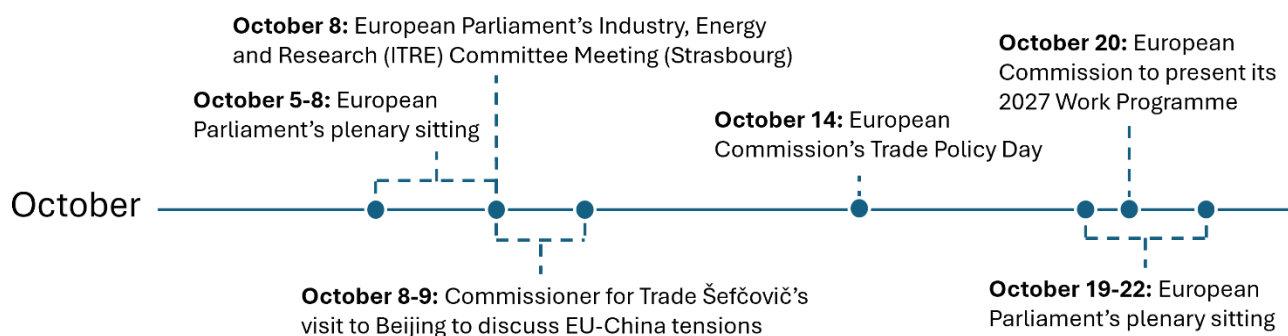
Industrial Policy

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-  Member States debate competitiveness priorities as budget agreement before 2027 looks unlikely.
-  New EU Procurement Regulation Proposal further applies European Preference concept.
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Trade and Geopolitics

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October Policy Agenda



Industrial Policy

Member States divided on Chips Act 2.0's budget spending, technological prioritization, EU preference and advanced semiconductor manufacturing.

On 24 October, the [Competitiveness Council](#), bringing EU Industry Ministers together, discussed the European Chips Act 2.0. While most Member States supported its industrialisation and demand-side objectives, divisions emerged over how support should be targeted. Some favoured prioritising projects in established semiconductor ecosystems, while others called for broader access for SMEs and emerging clusters. On technological priorities, several Member States (CZ, SK, EL, BG, MT, HR, BE and CY) stressed the need to support capabilities across the full semiconductor value chain. Others (DE, DK, IT, LT, FR, NL and SI) argued for concentrating investment on tech areas where Europe can build strategic advantages, such as power semiconductors, photonics, advanced packaging, equipment, chip design, quantum technologies and industrial AI.

Austria and France notably called for stronger European production requirements, including closer links between public support and commitments to maintain manufacturing capacity in Europe. While some countries emphasised advanced technologies, including AI chips and next-generation semiconductor capabilities, Hungary argued that European resilience also depends on mature nodes above 28nm, automotive's power electronics and advanced materials, telecommunications and industrial applications, and that sub-2nm chips shouldn't be the highest priority. The Irish Presidency of the Council is now finalising a first compromise text and will likely circulate it among Council members in late September, early October.

Member States debate competitiveness priorities as budget agreement before 2027 looks unlikely.

On September 22, the [General Affairs Council](#) convened to discuss Member States' priorities on the budget programmes of the Multiannual Financial Framework 2028-2034. While Cohesion Funds, such as the Common Agricultural Policy, and the new own resources of the EU remained key topics, competitiveness appeared among the Member States' top priorities. In this context several Member States (SE, DK, NL, FI, BE, LU, ES, FR, HR, SI, CZ) argued that the European Competitiveness Fund and the Horizon Programme will be key enablers of competitiveness, research and innovation. Sweden and Slovenia both explicitly invoked an "excellence principle" as the basis for allocating this funding. Whereas most Member States refrained from identifying priority areas for the spending of the budget for Europe's competitiveness, Germany framed its priority in

general terms as investment in new technology, AI, and competitiveness at the expense of “traditional spending fields”. While nearly all delegations agree on the need to reach a compromise by the end of 2026, Hungary stressed that the quality of the budget should take precedence over timing. France also indicated that progress on own resources would be necessary for negotiations to move forward. Taken together, these positions suggest that the end-2026 deadline could prove difficult to meet, potentially pushing negotiations into 2027.

New EU Procurement Regulation Proposal further applies European Preference concept.

The European Commission’s proposal establishes a new [EU public-procurement framework](#), replacing the existing procurement Directives with a single directly applicable Regulation. In doing so, it aims to transform public procurement in a more explicit industrial and economic-security policy instrument and by introducing a more centralised and digitally sovereign framework. The proposal firmly abandons the traditional emphasis on lowest-price procurement by making the Best Price-Quality Ratio (BPQR) the standard award method. The proposal requires quality criteria to represent at least 30% of the evaluation, increasing to 50% for labour-intensive contracts. It additionally introduces a European Preference regime, marking a significant departure from the EU's traditionally open procurement model by distinguishing between "covered" operators and non-covered third-country operators. While EU/EEA operators and operators from countries covered by the WTO GPA or relevant FTAs fall under the former’s scope, the Commission’s proposal allows buyers to set minimum EU/covered-country content requirements and the Commission to impose mandatory restrictions on non-covered third countries on grounds of reciprocity, security of supply, and the interest of the Union. The Act therefore adopts a more nuanced concept of "European preference" than a straightforward "Buy European" requirement. This broadly mirrors the approach taken in the Industrial Accelerator Act (IAA), where preferential treatment can extend beyond EU undertakings to operators from GPA and FTA partner countries.

The European Commission unveils its new plan to leverage IP to boost innovation and scale-up.

The recently published [European Innovation Act](#) proposal aims to improve the conditions for innovation, commercialisation and scale-up across the EU. The proposal creates a new EU framework for the valuation, commercialisation and financing of intellectual property and innovation-related intangible assets. This includes a Union-wide methodology for IP valuation and support for IP-backed finance. The proposal also establishes a new Competence Centre within the European Union Intellectual Property Office (EUIPO). The Centre would develop a voluntary Union-wide framework for the valuation and disclosure of IP assets, create a digital matchmaking platform to facilitate IP licensing and transfers, and support the development of financial instruments backed

by intellectual property. Finally, the proposal introduces a geographically restricted framework for R&D procurement which participation would generally be limited to providers from EU Member States and from third countries whose international agreements with the EU specifically provide reciprocal access to R&D procurement. The proposal will now be examined and amended by the European Parliament and the Council of the EU, before the two institutions seek to reconcile their respective positions during interinstitutional negotiations.

Trade & Geopolitics

The European Union and the Philippines reach political agreement on landmark Free Trade Agreement.

On 22 September 2026, President Ursula von der Leyen and President Ferdinand Marcos Jr. announced a high-level political agreement on the future EU-Philippines Free Trade Agreement (FTA), bringing negotiations close to completion and paving the way for formal conclusion, signature, and ratification. Both sides highlighted the agreement's importance for strengthening supply chain resilience, diversifying trade relationships, and deepening economic cooperation in an increasingly complex geopolitical environment.

The Philippines breakthrough comes amid a broader acceleration of the EU's FTA agenda in Asia and beyond. Negotiations with India were successfully concluded in January 2026, and on 11 September 2026 the Commission submitted proposals to the Council to authorize the agreement's signature. Meanwhile, the EU and Thailand are aiming to conclude negotiations by the end of 2026, while both the Philippines and Malaysia have expressed ambitions to finalize negotiations in the near term, with Malaysia targeting completion by 2027. Discussions with the United Arab Emirates also continue, with the eighth negotiating round scheduled for 5-9 October 2026. Together, these developments signal a renewed EU effort to expand its network of trade agreements with strategically important partners and strengthen economic links with some of the world's fastest-growing markets.

EU's new export controls on dual use technologies, including specific ALD equipment, EUV masks and reticles' inspection equipment and wafer-cleaning equipment.

On 14 September, the European Commission adopted the [2026 update to Annex I](#) of the EU Dual-Use Regulation. The revision aligns the EU control list with decisions taken in

2025 under the Wassenaar Arrangement, Australia Group and Nuclear Suppliers Group, while incorporating additional commitments accepted by Member States.

The amendments introduce several new controls on semiconductor manufacturing equipment. Newly listed items include atomic-layer-deposition (ALD) equipment for molybdenum and ruthenium, equipment used for the development and inspection of extreme ultraviolet (EUV) masks and reticles, and certain single-wafer cleaning equipment. The update also covers equipment used for EUV photoresist processing, mask inspection and pattern shaping, as well as tools used to deposit multilayer reflectors for EUV masks.

In addition, the revised list introduces controls on advanced computing integrated circuits and certain electronic assemblies incorporating one or more digital processing units, reflecting growing concerns around advanced computing capabilities. Related software controls have also been extended to some of the newly controlled semiconductor manufacturing technologies. The updated list will take effect following publication in the Official Journal, after the standard two-month scrutiny period.

Trump-Xi Summit extends trade truce as AI, critical minerals talks remain unresolved.

On September 24, U.S. [President Donald Trump and Chinese President Xi Jinping met at the White House](#) as Washington and Beijing agreed to extend their existing trade truce until January 10, 2027. The extension moves the deadline for the agreement reached in Busan, South Korea, from November 10 and gives negotiators additional time to work on a broader economic arrangement, Treasury Secretary Scott Bessent said.

The extension was the clearest economic outcome of the summit, but it did not resolve several of the issues that had been under negotiation. Talks over tariffs, Chinese purchases of U.S. goods, rare earths and critical minerals, and technology restrictions are set to continue. Reuters reported that the summit produced no major breakthrough on AI or other major points of strategic disagreement.

[Ahead of the leaders' meeting](#), Bessent, U.S. Trade Representative Jamieson Greer and Chinese Vice Premier He Lifeng negotiated on trade and technology. Washington proposed establishing a mechanism for notifying the other side of national-security-level AI incidents, while the two governments also discussed putting the U.S.-China Board of Trade into operation.

Critical minerals remained another unresolved issue. China is a major processor of rare earths used in electronics, vehicles and defense equipment, making Chinese export controls a central issue in the trade relationship. While the existing truce had suspended some restrictions, [no new comprehensive agreement on critical minerals was announced](#) at the Washington summit.