



Statement by Executive Vice-President Margrethe Vestager on adoption of White Paper on foreign subsidies in the Single Market

Brussels, 17 June 2020

* Check against delivery *

The single market is key to Europe's prosperity. But it only works well if there's a level playing field. And for the Commission it is a priority to protect that level playing field against the harm that foreign subsidies can do. In response to the call from the European Council, today, the European Commission has adopted a White Paper, which launches a public consultation on ideas for future rules to make sure that foreign subsidies don't undermine the level playing field in Europe's single market.

Aim of the White Paper

The current geopolitical context and global economic environment is the most difficult in recent history. Openness to trade and investment and to rules-based multilateral order are being challenged. Europe's single market makes our economy strong and resilient – competitive in global markets, creating jobs, and capable of meeting the needs of consumers here in the European Union. And right now, as we start to rebuild from the damage that the coronavirus is doing, we need the single market more than ever.

The role of the Commission is to uphold the single market and to take action when third country subsidies subsidise companies and distort the level playing field within our Union.

For more than sixty years, the EU state aid rules have made sure that subsidies from EU Member States do not unduly distort the level playing field. But as Europe's economy has become more open and interlinked to the world around us, it has become clear that controlling subsidies from European governments is not enough.

Foreign investment is an important source of jobs and growth and is very much welcome in Europe. But when foreign governments give subsidies to support investments and operations in the single market, that can affect our level playing field in several ways. For example:

- With subsidies to businesses that are in Europe
- By helping companies to buy European businesses
- They can help foreign companies to outbid rivals in public tenders.
- And some subsidized companies can even gain access to money from our European budget.

None of our existing instruments can, on their own, solve this problem:

Our state aid rules don't stop this – because they only cover support given by EU Member States, but not support given by foreign states.

Our merger rules look at how a merger affects competition in Europe – but don't go into how that merger is paid for.

Our trade defence instruments enable us to act when subsidised products are exported to Europe – but not when subsidies go straight to foreign-owned businesses here.

And our framework on screening foreign investments tackles threats to security and public order, but not to the level playing field in the broader sense.

So there's a gap here. And that needs to change - and that is the aim of today's White Paper.

The proposals in the White Paper

If you ran a club, and you wanted to make sure there was no trouble, you could check people on the door, before they came in. You could also have checks inside the club, to make sure everyone followed

the rules once they were in.

And it's the same with foreign subsidies – you can check for them in advance, or you can fix the problems as they arise. Or you could do both. So our White Paper puts forward several approaches that would allow us to protect the level playing field.

The first approach, we call it “Module 1” – deals with foreign subsidies to companies that are active in the EU. We're proposing that the Commission, and Europe's national authorities, could take action if a company that operates in Europe gets a foreign subsidy that harms the single market.

Of course, not every foreign subsidy is harmful. Some might have positive effects – they might incentivize investments that could contribute to jobs in Europe, or they could support the vital green and digital transitions. So we're proposing that the Commission can conduct a balancing test. That means we wouldn't act against a subsidy that had positive effects which outweighed the harm done to the single market.

On the other hand, if the benefits don't make up for the harm it would do to the level playing field, the authorities would have the power to put things right. They could do that by imposing what we call “redressive measures”. Those measures could come in different forms. A company might have to divest certain assets. Or it might have to share the benefits of the subsidy – perhaps by giving other companies in the single market access to research results or infrastructure that they might have been financed by the subsidy.

The other parts of the White Paper propose a different approach. Like security on the door they are about checking for trouble before it happens.

Module 2 deals with foreign subsidies that help companies buy European businesses. Our proposal requires notification to the Commission of the acquisition of stakes in EU companies that meet certain thresholds. This is notably the case where the company acquiring the stake has received subsidies that might facilitate the acquisition. And whilst the review is ongoing, the acquisition cannot be closed. If the Commission concludes that the subsidies are likely to harm the level playing field, then we will take action.

That would usually mean getting commitments from the company not to harm the level playing field - just as we do to fix most competition problems that we find under our merger rules. The commitments would be similar to the redressive measures that we have proposed for Module 1. And as a last resort, if we couldn't agree on suitable commitments, we would have the power to block a harmful merger altogether.

The third module of the White Paper deals with the threat that foreign subsidies can pose to fairness in our public procurement. And the White Paper also deals with the risk that the EU budget could end up in the hands of companies that get foreign subsidies..

Conclusion and next steps

So to conclude, since the Treaty of Rome, Europe has been working towards the ideal of a fair and open European market. Because we know that's the way to build a strong, competitive economy, with good jobs for Europeans and a fair deal for consumers. And this White Paper takes us a step closer to that ideal, by setting out ways to tackle the harm that foreign subsidies can do to fairness in the single market.

Obviously, these are complex matters. And it has never been done before. Changes like this call for careful discussion. So today, with the White Paper, we're launching a public consultation. It will run until 23 September, and we hope will produce a wide range of views and suggestions. And if that consultation shows that new rules are needed, we aim to put forward a proposal in 2021, with the aim of a better, fairer European single market.

STATEMENT/20/1121

Press contacts:

[Arianna PODESTA](#) (+32 2 298 70 24)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)