Parliament approves new tool to ensure fair competition on the single market

- Ensuring fair competition between firms active in the EU by establishing equality of opportunity
- If foreign subsidies are distortive, measures to redress the balance can be applied
- Overall EU goal is to improve multilateral solutions to distortive subsidies

On Thursday, Parliament gave its green light to a new EU law ensuring foreign subsidies granted by non-EU countries do not distort the internal market.

The new regulation, adopted by 598 votes, with five against and nine abstentions, enables the Commission to investigate subsidies granted by non-EU public authorities to companies operating in the EU. If it is found that subsidies are distortive, the Commission can apply measures to address this and avoid companies benefitting, for example, from zero-interest loans, below-cost financing, preferential tax treatment or direct state grants do not outbid EU competitors in mergers, acquisitions or public procurement procedures.

The regulation addresses a longstanding regulatory gap as no regime currently regulates support granted by non-EU countries, while EU countries are bound by strict state aid rules.

According to the new rules, companies will need to let the Commission know about planned mergers and acquisitions if one of the parties involved has an EU turnover of at least €500 million and there is a foreign financial contribution of at least €50 million. The Commission will also investigate tenders in public procurements if the value of a procurement is at least €250 million.

More efficient

Parliament negotiators improved the effectiveness of EU action by explicitly including state companies - which often receive subsidies - in the scope of the regulation. They also shortened the period available to the Commission for public procurement investigations, and ensured there are special channels provided for member states, companies and other interested parties to inform the Commission about potentially distortive subsidies.
Guidelines, multilateral solutions

MEPs also improved legal certainty by obliging the Commission to issue guidelines on how it assesses the distortive nature of foreign subsidies and judges a subsidy’s market distorting effect against its potential benefits. They also ensured that companies can consult the Commission to verify if they need to disclose subsidies received.

Overall, the EU’s aim is to improve multilateral rules on subsidies. Therefore, once equivalent multilateral rules render the new tool redundant, the regulation can be scrapped.

Quote

“Today we move one step closer to finally ending the free-for-all that has been pitting European companies, subject to stringent subsidy control, against foreign competitors with unfettered access to foreign largesse. This regulation with its possibilities for third country dialogue that were bolstered by the Parliament puts one more tool in the belt of the European Commission to stem the swelling tide of a global harmful subsidies’ race. The credibility and effective implementation of this new tool now hinges singularly on the human resources we dedicate to it - it’s time to put our money where our mouth is”, said Rapporteur Christophe Hansen (EPP, LU) who steered the file through Parliament.

Next steps

After Parliament’s approval, Council is expected to officially adopt the agreement on 28 November. The regulation will enter into force 20 days after its publication in the Official Journal.

Background

The EU is a particularly open economy: it is one of the world’s largest trading blocs making up 16% of global trade, and in 2021 it received €117 billion in foreign direct investment. There has been a growing number of instances in which foreign subsidies appear to have facilitated the acquisition of EU undertakings, influenced investment decisions or distorted trade in services, to the detriment of fair competition.

Further information

The adopted text will be available here (10.11.2022)
The results of the roll call votes (10.11.2022)
Steps of the procedure
EP research: Distortive foreign subsidies regulation: A level playing-field for the single market (16.06.2022)
EP research briefing: Distortive foreign subsidies (November 2022)
Contacts

Eszter BALÁZS
Press Officer

(+32) 2 28 42373 (BXL)
(+32) 470 88 08 77
eszter.balazs@europarl.europa.eu
inta-press@europarl.europa.eu
@EP_Trade