



Commission opens first in-depth investigation under the Foreign Subsidies Regulation

Brussels, 16 February 2024

Today, the Commission is launching its first in-depth investigation into the potentially market distortive role of foreign subsidies, exercising its powers under the [Foreign Subsidies Regulation](#). This investigation relates to a public procurement procedure. It shows the Commission's determination to preserve the internal market's integrity by ensuring that recipients of foreign subsidies cannot benefit from an unfair advantage to win public contracts in the EU, to the detriment of fair competition.

The investigation launched today follows a notification submitted to the Commission by CRRC Qingdao Sifang Locomotive Co., Ltd., a subsidiary of CRRC Corporation, a Chinese state-owned train manufacturer. It concerns a public procurement procedure launched by Bulgaria's Ministry of Transport and Communications, relating to the provision of several electric "push-pull" trains as well as related maintenance and staff training services.

According to the Foreign Subsidies Regulation, companies are obliged to notify their public procurement tenders in the EU when the estimated value of the contract exceeds €250 million, and when the company was granted at least €4 million in foreign financial contributions from at least one third country in the three years prior to notification.

Following its preliminary review of the notification received from CRRC Qingdao Sifang Locomotive, the Commission considered it justified to open an in-depth investigation, since there are sufficient indications that this company has been granted a foreign subsidy that distorts the internal market. For this, the Commission had to assess whether the foreign financial contribution constitutes a subsidy that directly or indirectly confers a selective benefit to the company; and whether this allows the company to submit an unduly advantageous tender.

During the in-depth investigation, the Commission will further assess the alleged foreign subsidies and obtain all the information required to establish whether they may have allowed CRRC Qingdao Sifang Locomotive to submit an unduly advantageous offer in reply to a tender. Such an offer could cause other companies participating in the public procurement procedure to potentially lose sales opportunities.

In line with the provisions of the Foreign Subsidies Regulation, at the end of its in-depth investigation the Commission may (i) accept commitments proposed by the company if they fully and effectively remedy the distortion, (ii) prohibit the award of the contract, or (iii) issue a no-objection decision.

CRRC Qingdao Sifang Locomotive submitted a complete notification on 22 January 2024. As of that date, the Commission has 110 working days, until 2 July 2024, to take a final decision. The opening of an in-depth investigation does not prejudice the outcome of the investigation.

Companies and products

CRRC Corporation Limited (known as CRRC) is a Chinese state-owned rolling stock manufacturer. It is the world's largest rolling stock manufacturer in terms of revenue. Rolling stock manufacturers produce the locomotives and carriages used by railway operators, as well as subways, trams and other railway vehicles.

The Bulgarian Ministry of Transport and Communication public procurement tender is for 20 electric "push-pull" trains, as well as their maintenance over 15 years. The estimated value of the contract is around BGN 1.2 billion (€610 million).

Procedural background

The [Foreign Subsidies Regulation](#) ('FSR') started to apply on 12 July 2023. This new set of rules enables the Commission to address distortions caused by foreign subsidies, and thereby allows the EU to ensure a level playing field for all companies operating in the internal market while remaining

open to trade and investment.

In recent years, foreign subsidies appear to have distorted the EU's internal market, including by providing their recipients with an unfair advantage to acquire companies or obtain public procurement contracts in the EU to the detriment of fair competition. The FSR addresses such distortions and closes a regulatory gap. It gives the EU new tools to effectively tackle foreign subsidies that cause distortions and undermine the level playing field in the internal market which is based on a competitive social market economy.

The FSR introduces three procedures:

- Two notification-based procedures to (i) investigate concentrations as well as (ii) bids in public procurement procedures involving financial contributions granted by non-EU governments. The notification obligations apply to economic operators since 12 October 2023.
- An ex officio procedure to investigate all other market situations, where the Commission can start a review on its own initiative.

The Commission will publish a non-confidential version of today's decision, as well as the future final decision, after adoption, in the Official Journal of the European Union.

For More Information

[Foreign Subsidies Regulation](#)

[Foreign Subsidies Regulation website](#)

[Practical information, including Q&A](#)

[Facts page](#)

IP/24/887

Quotes:

"The FSR is the right tool to protect the internal market from unfair competition due to distortive foreign subsidies. Fair competition, not less competition, is key for the rolling stock sector in the EU."
Margrethe Vestager, Executive Vice-President for a Europe Fit for the Digital Age - 16/02/2024

"Today we launch the first investigation under the Foreign Subsidies Regulation to establish whether foreign subsidies allowed Chinese state-owned rolling stock manufacturer CRRC to submit an unduly advantageous offer in reply to a tender for electric trains in Bulgaria. European openness presupposes that everyone plays by the rules. Ensuring that our EU Single Market is not distorted by foreign subsidies to the detriment of competitive firms that play fair is vital for our competitiveness and economic security."
Thierry Breton, Commissioner for Internal Market - 16/02/2024

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