Subsidies granted by non-EU governments to companies in the EU appear to have an increasing impact on the Single Market. The European Commission has published a White Paper on the distortive effects caused by foreign subsidies in the Single Market.

State aid control ensures that public support granted by EU Member States does not lead to competitive distortions in the Single Market.

There is no international or EU instrument sufficiently addressing similar distortions caused by Foreign Subsidies.

The proposed new instrument will complement existing tools and fill the regulatory gap.

Rules will apply equally to subsidies granted by all non-EU countries and will not be discriminatory towards any country.
A foreign subsidy is any financial contribution by a government or public body of a non-EU State to an undertaking in the EU:

- An interest-free loan
- Unlimited guarantees
- Capital injections
- Preferential tax treatment
- Tax credits
- Grants

Building blocks for new legal instruments tackling distortive foreign subsidies:

**MODULE 1**  
**GENERAL INSTRUMENT TO CAPTURE DISTORTIVE EFFECTS OF FOREIGN SUBSIDIES**

1. Preliminary review
2. In-depth investigation if a market distortion is suspected
3. Redressive measures if, on balance, a market distortion is confirmed

**MODULE 2**  
**FOREIGN SUBSIDIES FACILITATING THE ACQUISITION OF EU COMPANIES**

1. Compulsory notification mechanism for subsidised acquisitions triggered by a threshold
2. Preliminary review
3. In-depth investigation if a market distortion is suspected
4. Redressive measures if, on balance, a market distortion is confirmed
Compulsory notification mechanism of potential foreign subsidy for bidders

Preliminary review and in-depth review where necessary to establish existence of foreign subsidy

Decision on potential distortion of procurement procedure

Redressive measures: exclusion from the procurement procedure and possibly from future procedures

FOREIGN SUBSIDIES IN THE CONTEXT OF ACCESS TO EU FUNDING

Foreign subsidies present the same challenges when EU money is being spent > new solutions should also apply here.

EU funding indirectly managed by international financial institutions should similarly mirror the approach to foreign subsidies.

Depending on the Module and circumstances, enforcement will be carried out by:

- The European Commission
- The Member State’s authorities
- Jointly by the European Commission and the Member State’s authorities

NEXT STEPS

17/06/20 - White Paper publication


Impact assessment, based on results of the public consultation, with a view to introducing a new legal instrument in 2021.