Targeted consultation

Business Europe – Summary

2 December 2020

While other countries (e.g. Russia or Gulf Countries) also provide subsidies, China is a prominent example of a country whose subsidies have an effect on enterprises acting in the single market, in view of its state-driven policy.

Export credits not compliant with OECD and Chinese allocation of land and resources at below-market prices were mentioned as examples. Subsidies are often granted through complex, non-transparent, investment structures and investment vehicles (e.g. semiconductor industry).

It has become more difficult for EU companies to win in public procurement procedures, as the Chinese competitors bid unreasonably low prices (subsidies potentially involved).

Sectors most prone to distortions are the technologically advanced ones, like telecom, healthcare etc. Additionally, with China's new 5-year development plan, the risk of delocalization driven by subsidies becomes more important, among others for new technology sectors.

Distortions of competition, where there are big concentrations on the third country home market, are also common. This is e.g. the case of SOEs that receive more favorable treatment of their authorities. This creates economies of scale and bargaining power that have essentially the same results as foreign subsidies. Suggestion to focus on SOEs more directly.

While new legislation on foreign subsidies should be the basis, other policy options are complementary.

Qualitative and quantitative thresholds for subsidies and targets should be set in such a manner that most distortive subsidies are covered and notified, but the administrative burden remains reasonable. This is especially valid for Module 3 (inclusion of subcontractors in notification).

Need for legal certainty. The instrument should be proportional in order not to have a negative effect on FDI. It should be aligned with the EU State aid rules, WTO compliant and non-discriminatory, in order to diminish the risk of retaliation. EU should use its free trade agreements and keep pushing for common global cooperation particularly in OECD and WTO.

Assuring that competition is not distorted by foreign subsidies will help EU companies to maintain fair wages for their employees and adequate prices for their products and services. While in the short-run consumer prices might increase, this should not prevent the introduction of a new instrument.

Addressing abnormally low (subsidized) bids would give more chances to companies with a more sustainable and environmentally friendly approach.

Depending on the exact approach taken to design a new instrument, the administrative burden of a new instrument may vary.

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