

Subsidies from third countries: less bureaucracy?

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Summary

The Commission proposed in May 2021 a Regulation to address distortions caused by foreign subsidies in the Single Market. The proposal aims to close a gap, whereby subsidies of EU Member States are subject to scrutiny while this is often not the cases of subsidies from third countries. Such subsidies distort production costs and influence competition. They cause thus disadvantages for the mechanical engineering industry.

“The proposed Regulation is a step in the right direction, but the proposed implementation is too complex for medium-sized mechanical engineering companies”

Ulrich Ackermann, Managing Director of
VDMA's Foreign Trade Department

Content

The Commission will have the power to investigate financial contributions granted by the public authorities of a third country. The Regulation proposes three tools: a notification-based tool to investigate concentrations, a notification-based tool to investigate bids in public procurements and a general market investigation tool. Each model has different thresholds and rules. However, the European Parliament and the Council of the EU still need to agree with this Regulation.

Pro

VDMA is supportive of the Commission's efforts to examine subsidies from third countries more closely. The Commission is solely responsible for the enforcement of this proposed Regulation. Moreover, the division with other current relevant EU instruments is clear.

Contra

VDMA supports a uniform EU legal instrument as proposed by the Monopolies Commission in Germany. Furthermore, the thresholds are very high and there is the possibility of *ex officio* investigations of the Commission.

Our Evaluation



The proposal needs to be improved during the EU-legislative process to reflect the needs of the machinery sector. There should be a uniform legal instrument, there should be lower thresholds and sanctions in case of non-cooperation of companies must be avoided.

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Models to tackle subsidies

You can find more information [here](#).

Contact

Niels Karssen
Advisor Foreign Trade Department
Telephone +32 2 706 82 07
Email niels.karssen@vdma