

## Subsidies from third countries: less bureaucracy?

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### Summary

The Foreign Subsidies Regulation entered into force on 12 January 2023. The Regulation aims to close a gap, whereby subsidies of EU Member States are subject to scrutiny while this was 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.

**“This new Regulation will enable us to tackle distortive support from third countries to the benefit of competition and for a level playing field in the Single Market”**

Margrethe Vestager, Executive Vice-President in charge of competition policy

### Content

The Commission has 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 that allows the Commission to start investigations on its own initiative. Each tool has different thresholds and rules.

The Commission can start *ex officio* investigations as of 12 July 2023. The notification obligation for companies for notifiable concentrations and public procurement procedures is effective as of 12 October 2023.

### 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 Regulation. Moreover, the division with other current relevant EU instruments is clear.

### Contra

The thresholds are very high and there is the possibility of *ex officio* investigations of the Commission. Moreover, it can lead to additional bureaucracy and legal uncertainty.

### Our Evaluation



VDMA views this Regulation in principle as positive. However, much will depend on how the EU-Commission will apply the subsidy instrument in practice. There is a risk that this complex instrument will lead to considerable additional bureaucracy and legal uncertainty for our member companies.

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## models to tackle subsidies

You can find more information [here](#)

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