



CELIS Issue Note on Considerations for the EU Foreign Subsidies Regulation

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Introduction

The EU's new foreign subsidies regulation marks a significant shift in the regulatory landscape, aiming to create a level playing field and ensure fair competition within the European Single Market. As this regulation begins to take effect, it brings to the forefront several strategic issues that need to be addressed over the next years. This note outlines the three of the most pressing strategic issues that warrant in-depth discussion during our upcoming conference in October 2024.

Balancing Market Openness with Protectionism

Issue: One of the critical challenges the EU faces is striking a balance between maintaining an open market and protecting its industries from unfair competition due to foreign subsidies.

Why It Matters: The EU has traditionally been a champion of free trade and open markets. However, the influx of subsidized foreign enterprises, particularly from countries like China, has led to distortions in competition, disadvantaging European companies. The regulation aims to address these distortions but risks being perceived as protectionist.

Discussion Points:

- **Impacts on Trade Relations:** How will this regulation affect the EU's trade relations, especially with key partners like the United States as well as with China?
- **Investor Confidence:** Will the regulation deter foreign investments because of the increased compliance costs and the risk of penalties associated with foreign subsidies, or will it instill greater confidence in the fairness of the EU market?
- **Implementation Challenges:** What measures can be taken to ensure the regulation is implemented effectively, meaning consistently across all member states and without



causing unnecessary delays or burdens on businesses, without stifling innovation and economic growth?

Long-Term Economic and Strategic Implications

Issue: The long-term economic and strategic implications of the EU's foreign subsidies regulation need careful consideration.

Why It Matters: While the regulation addresses immediate concerns about market distortions, it also has broader implications for the EU's economic strategy and industrial policy. This includes impacts on supply chains, technological advancements, and global competitiveness.

Discussion Points:

- **Supply Chain Resilience:** How will the regulation impact global supply chains, and what steps can be taken to ensure resilience in the face of potential disruptions?
- **Technological Leadership:** In what ways can the EU leverage this regulation to foster innovation and compete with other key global players in technology?
- **Global Competitiveness:** How will the EU foreign subsidies regulation influence the EU's position in the global economy, particularly in terms of attracting investment, retaining top talent, and ensuring that European companies can compete effectively on the world stage against heavily subsidized foreign competitors? What strategies should be adopted to enhance the EU's competitiveness in a rapidly evolving global market?

Compliance and Enforcement Mechanisms

Issue: Ensuring compliance and, if need be, robust enforcement of the foreign subsidies regulation is essential to its success.

Why It Matters: The effectiveness of the regulation hinges on the EU's ability to detect and act against unfair foreign subsidies. This involves complex monitoring and cooperation between various regulatory bodies and member states, requiring a deep understanding of both legal and economic aspects. With respect to the European market, it is important to recognize that this complexity arises from the need to harmonize enforcement across different legal systems and economic contexts within the EU, ensuring that the regulation is applied consistently and fairly across all member states.

**Discussion Points:**

- **Detection and Monitoring:** What are the best practices for detecting foreign subsidies, and how can the EU improve its monitoring capabilities?
- **Coordination Among Member States:** How can the EU enhance cooperation among its member states to ensure uniform enforcement?
- **Legal and Procedural Frameworks:** Are the existing legal frameworks adequate to handle the challenges posed by foreign subsidies, or is there a need for further reforms?

Conclusion

The EU's foreign subsidies regulation represents a pivotal moment in the evolution of its trade and industrial policies. By addressing these three pressing strategic issues—balancing market openness with protectionism, ensuring robust compliance and enforcement, and considering the long-term economic and strategic implications—the EU can navigate the complexities of this new regulatory landscape. These discussions will be crucial during our conference in October 2024, as we seek to develop strategies that uphold fair competition while fostering economic growth and innovation within the European Union.