

Topic: Foreign Subsidies in the Single Market

Brief description and main aims:

In May 2021, the European Commission published a proposal for *Regulation on Distortive Foreign Subsidies in the EU Single Market* aimed at tackling the distortive effects of foreign subsidies in the EU Single Market. The instrument also fills a legislative gap as, before, there was no EU instrument to control subsidies granted by third countries. It was adopted in December 2022 and will enter into force on 12 July 2023. In addition, the European Commission its implementing rules on the Regulation on 10 July 2023.

Under the proposed Regulation, the Commission has the power to investigate financial contributions granted by public authorities of a non-EU country which benefit companies engaging in an economic activity in the EU and redress their distortive effects, as relevant. The Regulation introduces three tools, two notification-based and a general market investigation tool. This includes a notification-based tool to investigate bids in public procurement involving a financial contribution by a non-EU government, where the estimated value of the procurement is € 250 million or more.

Why FIEC is dealing with this topic:

FIEC treats this issue in cooperation with the European International Contractors (EIC) and the European Dredging Association (EuDA). Efforts are now focused on providing the European Commission's information that substantiate a reasonable suspicion of foreign subsidies in a particular market segment, justifying a market investigation (under Art. 36).

In the last years, an increasing number of public infrastructure projects have been awarded to third country State-owned enterprises (SOEs), particularly from China, submitting extremely low prices against which private European companies cannot compete. A pattern of distortive subsidies is suspected in these cases. As such, it is important to look at the possibilities for action the Regulation offers that could potentially help restore a level playing field in the EU Single Market.

Actions and key dates:

05/05/2021 → European Commission issues Proposal for a Regulation on *Distortive Foreign Subsidies* (FSR).

25/05/2021 → Launch of [interactive map](#) *Third country state-owned enterprises in the European procurement market*.

24/09/2021 → FIEC-EIC [Key Messages](#) and joint amendments (later updated together with EuDA).

23/12/2022 → The Regulation was adopted by the European Parliament and the Council.

06/02/2023 → FIEC-EuDA-EIC submitted a [response](#) to the consultation on the Draft Implementing Regulation (IR) of the FSR.

10/07/2023 → The European Commission adopts rules laying down more detailed practical and procedural aspects related to applying the FSR.

12/07/2023 → The FSR enters into force.

17/07/2023 → FIEC-EuDA-EIC call for a market investigation in the construction sector (including dredging) by the European Commission under the Foreign Subsidies Regulation (FSR - Article 36).