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EU STATE AID CONTROL IN THE CONTEXT OF GLOBAL COMPETITION

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Good afternoon, ladies and gentlemen.

Thank you for inviting BUSINESSEUROPE to present the European industries view on State aid control and the competitiveness of EU undertakings in the context of global competition.

Subsidies are an essential tool for policy makers and governments. They can help remedy a market failure and if it is well targeted it can boost growth, employment and competitiveness.

In the European Union, we have a unique system of state aid control, which is one of the cornerstones in safeguarding free and fair competition in the internal market.

However, we also have to take into account the global context.

- The global environment creates challenges and opportunities for European companies. Global competition should be embraced rather than feared. But very often, the main competitors of European companies come from outside the EU and they are not subject to state aid rules.
- Hence, the underlying principle that subsidies should not unfairly distort competition between companies is equally important at European level and at global level.
- State aid policy needs to ensure that European industry maintains its global competitiveness, while at the same time minimizing distortions of competition within the Union.

It would be preferable to have an effective multilateral or even global subsidy control. However, such an outcome is probably not realistic in the near future. So the next best option would be bilateral solutions.

In the past, provisions on state aid have only played a minor role in bilateral agreements. However as we heard earlier today this is about to change. We now see Free Trade Agreements (FTA) with substantive provisions on state aid. These are



important steps towards better subsidies control taking into account the global situation.

Why are these steps important?

- Companies outside the EU can gain an unfair advantage from subsidies given by their governments, which are not available to European companies. Obviously, such subsidies can have detrimental effect on competition.
- In addition, subsidies can be an instrument of protectionism, which can hamper the benefits of trade liberalization, keep doomed companies alive, and lead to a subsidy race with negative effects on overall welfare.

In this light, we encourage the Commission efforts in seeking to ensure a global level playing field.

Let me now turn to some specific points in the EU state aid rules related to the global issues.

Let me give you an example: in state aid for Research and Development, countries like US, India and China have very supportive policies, while the global competitiveness of Europe's industry is not getting sufficient attention in the new RDI-framework. The approval process for notified aid should be shorter and the incentive effect criterion can be a challenge compared to competitor outside the EU, which do not suffer from comparable constraints. In one point the global issues is addressed, and this is through the so-called "matching clause", which has never been used. The matching clause is an exception, which allows state aid in the EU for R&D projects that compete with non-EU subsidized projects. I think we might come back to the matching clause in the debate.

Another example are decarbonisation programmes across the EU, which are impacting severely on the global competitiveness of European Industries by creating costs that are not borne by their competitors. Providing the right framework for European companies are to be competitive vis-à-vis other main global players is therefore decisive.

The Commission addresses the issue of the competitiveness of European industry in the recent Guidelines on State aid for environmental protection and energy. The guidelines allow Member States to relieve some EU energy intensive sectors particularly exposed to international competition from some of the burden of financing renewables.

Let me conclude. It is important that we continue to have an effective state aid control in EU, but it is also important that we effectively take on the challenge of globalization in order to keep European companies competitive.

Thank you for your attention.

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