

Dr Ulrich Soltész – Written evidence (LPF0010)

Question 10:

What "landing zones", if any, do you see for the UK-EU negotiations on state aid control?

In particular, what characteristics would the UK's future subsidy control system announced by the Government need to have to satisfy the EU of its efficacy?

- *To reverse the question, what objectives should the Government pursue in its negotiations with the EU on subsidy control?*

Answer:

I personally believe that in the field of State aid control the UK should aim for a maximum of convergence in terms of substance. The new "UK subsidy rules" should be aligned as much as possible with the EU State aid regime. The degree of involvement of EU institutions and the enforcement mechanism remains still to be debated. But I think there is certainly no upside for businesses in diverging systems. If there would be a common rulebook and a common institutional framework (the details remain to be discussed), this would be good for the UK economy.

This would, of course, be only possible if the system is based on reciprocity. It cannot be that EU players would be subject to more rigid state aid rules and that the UK competitors were not. Such an imbalance would probably not be acceptable for the EU.

The solution could therefore be a very sophisticated FTA with solid elements of an institutional framework, i.e. an enforcement/dispute resolution mechanism. I seriously doubt however whether the examples usually mentioned in this context (Japan, Korea, Canada) can serve as a blueprint. From the EU's perspective, these countries are not comparable with the UK, given their geographic location and the trade intensity. EU companies usually do not have to be very concerned about a company receiving state aid in Vancouver or Seoul, but if it takes place in Dover this is very different – in particular given that the volume of trade with the UK is many times bigger.

Against this background, I do not believe that the principles set out in the UK negotiation guidelines of 27 February 2020 would be considered as sufficient by the EU in this regard. The guidelines only mention "reciprocal commitments to transparency about the award of subsidies" (i.e. information and reporting obligations) based on the EU/Japan model and the right to "request consultations on any subsidy that might be considered to harm the interests of the parties". The paper also explicitly excludes the application of the dispute resolution mechanism in the field of State aid. This does not provide a "landing zone".

12 March 2020