



How to deal with Foreign Subsidies? A Hamletic question for the EU

Abstract: We are witnessing the crisis of that multilateral system – a phenomenon that is often labelled as ‘deglobalisation’. Political tensions and economic hardships push governments to intervene in the market: subsidies seem the preferred tool of state intervention since the WTO rules on them are less strict in comparison to other trade-distorting policies and the WTO itself is paralysed by the crisis of its Appellate Body. The crisis prompted the EU to change its trade strategy, switching to ‘an open, sustainable and assertive trade policy’ and initiating a phase of ‘unilateralisation’ of its trade tools. In this context, with its 2020 White Paper on foreign subsidies, the European Commission launched a process that resulted in the Regulation on Foreign Subsidies distorting the internal market (FSR), approved at the end of 2022. At the same time, pressured by the recent economic crises and the policies of its trade partners, the EU is considering relaxing its State aid rules and letting Member States subsidise their industries. Therefore, Brussels has to find a comprehensive answer to several questions. To subsidise or to regulate? To seek a unilateral or a multilateral solution? Or else, to combine these apparently contradictory options?

The seminar will present an overview of how the EU, on the one hand, fights subsidisation (the ‘defensive’ approach: its WTO reform agenda on industrial subsidies and State-owned enterprise; the FSR and other internal tools) and, on the other, resorts to subsidies itself to achieve its geoeconomic goals (the ‘offensive’ approach). From there, the impact of EU international relations (especially with the US and China) on the legislative evolution of these policies will be examined. Indeed, the FSR process was ignited by the growing concerns raised by Chinese State interventions, but today Brussels has also to face the pressure of US subsidisation (the Inflation Reduction Act) on its industries. Finally, the speaker will discuss with the audience if the combination of these two approaches (in other words, the overall strategy of the EU towards subsidisation) appears effective and consistent with EU principles and international commitments towards the WTO and third countries of legal and political nature. In the end, the Hamletic question on how to face external subsidisation can be read as a more profound and crucial issue: has the EU accepted a destiny of ‘deglobalisation’ or will it defend the multilateral trade system?



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Co-funded by
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