Editor’s Note – State Aid in Time of Cholera

These are challenging times. We will need to take important and urgent steps to address the extraordinary state of affairs brought about by the COVID-19 outbreak, including its impact on the economy. We do not know to what extent these changes will revert once – or if – things go back to “normal”, and to what extent they may change EU State aid law forever.

It is hard, but necessary, to remember, even in the midst of the tempest, the raison d’être of EU State aid policy. In the short term, we will need to prevent the ship from sinking, but we will need to remain vigilant to fix other distortions, or leaks, once the storm has settled.

It would be unwise, and impossible, for the Commission to hold back Member States from committing the necessary resources to sustain their companies. The Commission immediately made clear that it is going to be open and flexible. The speedy adoption of the Temporary Framework and of various individual Decisions confirms the Commission’s commitment. If not others, at least the Commission has learnt the lessons from the last crisis. It must be commended for having acted quickly and decisively.

However, we cannot turn a blind eye to the massive competitive distortions that the inevitable giant flow of national public funds will cause. Indeed, absent joint EU action, including a commitment to provide funds, individual Member States will inevitably pursue their national interests in the light of their economic situation. The problem is that not everyone will be able to afford certain measures. While some Member States will fight the crisis with bazookas, others will only have pistols... or slingshots! It is enough to look at the different sizes of the budgets of the schemes approved over the last days.

This actually means that some undertakings will, depending on their nationality, receive much more public assistance than their competitors. In these critical circumstances, this might trigger the exit from the market of undertakings that would have otherwise survived, and vice-versa. It would be illusory to believe that this would be uncontroversial or harmless for State aid or for competition within the internal market.

If only for that reason, finding the right balance between the (hopefully) positive effects of State aid and its (unavoidable) negative effects has never been more difficult. It is however an essential debate for the future of EU State aid policy and perhaps even for the future of the European Union itself. We all need to find a roadmap to get State aid policy out of this problematic situation, together.

This journal will continue to contribute to such a debate. Apart from this editor’s note, the current issue already includes various contributions linked to the impact of COVID-19, such as a preliminary description of the Temporary Framework and the first wave of individual Decisions, an article on its impact on the financial sector and several country reports covering some of the national measures.

More contributions will follow in subsequent ESTAL issues. We hereby invite State aid experts to come forward with their points of view. Hopefully an assortment of varying ideas will allow us to find our way out of the labyrinth.

José Luis Buendia Sierra
co-Managing Editor

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