Editorial

‘All it takes is faith and trust...
Oh! And something I forgot: Dust. Just a little bit of pixie dust.’¹

While policymakers, industry and academia agree on the fact that they often disagree, there seems to be a growing consensus among them that a strict EU State aid control, as well as competition policy in general, is sometimes putting our companies at a disadvantage compared to their competitors from third countries. These policies might guard the level playing field within the Union, yet the global arena still takes you on an adventurous ride. Leading tech companies seem to be predominantly US based, the call for European champions grows louder, other companies heavily subsidised by third nations build market share at the expense of EU undertakings, win public tenders and even take over innovative local businesses. Whereas I swear by a daily portion of Austria’s Red Bull to remain innovative and fly through the day, the EU is in search of something even sturdier. Arriving as fairies sprinkling pixie dust, an EU *industrial strategy* together with a four-layered plan on *foreign subsidies* aim to boost the wing muscles of EU firms.

Bringing Home the Lost Boys from Neverland

The *industrial strategy* focuses on taking a leading role in the green and digital transition and boosting overall competitiveness. Developing an industrial strategy marks a change in the EU’s policy perspective towards more interventionism. Whereas strong opinions often dominate discussions on laissez-faire versus interventionism, it is clear that a pure formula of neither the former, nor the latter leads to an equitable welfare state. Following Porter’s Diamond, we learn about the success of nations and that a government should i) improve the macroeconomic, political, legal and social context, ii) upgrade the general business environment (infrastructure, innovation, R&D), iii) facilitate cluster formation, and iv) lead a collaborative process of economic change. Hence, it is not an industrial policy that can take the lead, but a focus on detecting comparative advantages and creating a climate where businesses can thrive without picking winners. The collaborative process involves public as well as private stakeholders, but at EU level most likely requires more coordinated action regarding competitiveness by the different DGs of the European Commission.

Fighting Captain James Hook and His Pirates

The Commission’s White Paper on *foreign subsidies*, subsidies granted by third countries’ public authorities to companies active in the EU, addresses an enforcement gap, regulating distortive government interventions which are currently not caught by SA rules, antitrust policy, merger control, public procurement law, bilateral trade agreements, nor by trade defence in-

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¹ J.M. Barrie, *Peter Pan*

struments. It is an important topic to be addressed in light of fairer global competition. Yet, how likely is this plan on foreign subsidies to succeed? The challenges are numerous: Will the Commission be able to gather the necessary information?; Will the Commission be able to correctly interpret complicated foreign tax legislation?; Will this be a credible venue during times when we have relaxed the State aid framework in response to the COVID-19 pandemic?; Will this be credible at all knowing that multiple EU countries have similar strategies (eg sponsoring a project in a developing country on the condition that one of 'their' companies is assigned to execute the project)?

In short, can an industrial strategy combined with a policy on foreign subsidies, sprinkle vital EU fairy dust? Perhaps it would be wiser to return to the wisdom of the original pixie dust tree, focusing on competitiveness, facilitating innovation and building a truly supportive business environment, rather than relying too much on fairies and a strategy of picking winners? Only time will tell and, as always, we will follow this new storyline with great interest!

"The moment you doubt whether you can fly, you cease for ever to be able to do it"²

*Caroline Buts**

² *ibid.*

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