



## Trade Negotiations between the European Union and the Philippines

# EU Proposal on State-Owned Enterprises

Explanatory note - February 2017

This factsheet gives a general overview of the European Union's (EU) proposal for a chapter on state-owned enterprises in the Free Trade Agreement (FTA) envisaged between the EU and The Philippines. The text of the EU proposal was presented to the Philippine Government experts shortly in advance of the negotiating round and is now available on the [website](#) of the European Commission.

### Why do we negotiate rules on state-owned enterprises?

Competition policy helps to ensure a more efficient allocation of scarce resources. Rules on competition are not about increasing access to the market *per se*, but rather about ensuring appropriate conditions which will make this access effective and translate into real business opportunities.

Anticompetitive behaviour and certain subsidies may be important behind-the-border barriers to trade.

The objective of the negotiations is therefore to ensure a level playing field for European companies.

Competition rules advocated by the EU include the obligation to maintain competition laws and to apply them in a transparent and non-discriminatory manner. An efficient competitive environment will allow enterprises to operate on the markets efficiently and compete for the same opportunities fairly. A well-functioning competition environment is also positive for investment.

Subsidies may be necessary to achieve certain public policy objectives. However, certain types of subsidies can be harmful for trade and investment.

For this reason, the agreement aims at introducing some basic rules for the subsidisation of companies.

### What do we negotiate?

Those rules cover requirements related to

- Transparency and consultations
- Conditions for using certain of the most distortive types of subsidies.

The EU considers it necessary to negotiate rules regarding state-owned enterprises (SOEs), designated monopolies (public and private) and enterprises granted special rights or privileges.

Such rules are needed in order to ensure that trade liberalisation achieved by the Agreement is not undermined by the unfair behaviour of such companies.

The objective of these rules is to put private enterprises on an equal footing with enterprises where the governments are involved.

The EU is not seeking to privatise SOEs but simply to set rules on their behaviour on commercial markets.

Public services are fully safeguarded under the Agreement. Nothing in the EU's proposals will affect the Parties' ability to continue providing such services and there is no risk that the Agreement would threaten to lower the standard of public services in Member States.