



Trade Negotiations between the European Union and the Philippines

EU proposal for provisions on Competition policy, state-owned companies and subsidies

Explanatory note - February 2017

This explanatory note gives a general overview of the European Union's (EU) proposal on competition policy, state-owned companies and subsidies 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 competition?

Anticompetitive behaviour and certain subsidies, even if intervening behind the border, can be important barriers to trade. The goal of the negotiations is therefore to ensure a level playing field for European companies doing business with the Philippines.

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.

What do we negotiate?

Competition Rules

Rules that we want to establish include the obligation to maintain competition laws and relevant authorities and to apply the laws in a transparent and non-discriminatory way.

An efficient competitive environment allows companies to operate on the markets efficiently and compete for the same opportunities fairly. A well-functioning competition environment is also positive for investment.

Subsidies

Although subsidies may be necessary to achieve certain public policy objectives, certain types of subsidies can be harmful for trade and investment. For this reason, the EU proposes some basic rules for the subsidisation of

companies. These rules cover transparency, consultations and also certain conditions for the most distortive types of subsidies.

Rules related to State-owned Companies

The EU negotiates rules regarding:

- state-owned enterprises (SOEs),
- designated monopolies (public and private),
- companies granted special rights or privileges.

Such rules are necessary to make sure that trade liberalisation achieved by the FTA is not undermined by unfair behaviour of such companies. The goal of these rules is to put private firms on an equal footing with firms in which governments are involved.

The EU does not try to privatise state-owned companies, but desires to set rules regarding their behaviour on commercial markets.

What we do not talk about?

Nothing in the EU's proposals will affect the EU's and the Philippines's ability to continue providing public services. Those are fully safeguarded. Also, the FTA does not lower the standard of public services in EU Member States.