

Government sets out plans for new approach to subsidy control

- UK to follow World Trade Organisation (WTO) subsidy rules and other international commitments, replacing the EU state aid laws, from January 1
- ministers confirm the UK does not intend to return to the 1970s approach of trying to run the economy or bailing out unsustainable companies
- clear guidance on WTO rules will be published before the end of the year for public authorities and devolved administrations
- business will have the chance to comment on the design of the UK's own domestic regime of subsidy control next year

The UK will follow WTO subsidy rules after the end of the transition period, Business Secretary Alok Sharma confirmed today (9 September).

The government also confirmed that the UK will adhere to any international obligations on subsidies agreed under future free trade agreements.

The WTO rules are an internationally recognised common standard covering financial assistance granted by governments and public authorities to companies. Unlike EU member states, most advanced economies do not have substantive rules regulating subsidies beyond those set by the WTO.

The EU state aid rules are a unique set of comprehensive legislative subsidy controls in which it is the responsibility of the European Commission to police against subsidies distorting competition between EU member states within the single market. From 1 January, the UK will no longer be bound by those requirements and will have the opportunity to design its own subsidy control regime in a way that works for the UK economy.

The government confirmed it does not intend to return to the 1970s approach of trying to run the economy or bailing out unsustainable companies, maintaining that no government of a modern, competitive market economy should stand in the way or prevent adjustment to underlying market conditions.

The WTO rules, which apply to goods and not services, have ensured an effective international trading system for over 25 years. The rules ban subsidies that are dependent on either how much a company exports, or the use of domestic goods over imports. For all other subsidies, they provide a mechanism to resolve disputes between countries. These rules are designed to facilitate an effective international trading system and are followed by the vast majority of countries.

Business Secretary Alok Sharma said:

We want a competitive, dynamic market economy in which we can back British industries to create more jobs in this country, while also

making the UK the best possible place to start and grow a business.

While our guiding philosophy remains that we do not want a return to the 1970s approach of picking winners and bailing out unsustainable companies with taxpayers' money, the UK must have flexibility as an independent, sovereign nation to intervene to protect jobs and to support new and emerging industries now and into the future.

As we take back control of our money and laws from the EU, we have a unique opportunity to design our own subsidy control regime in a way that works businesses, workers and consumers.

Over the coming months I want to work closely with businesses and public authorities across all parts of the United Kingdom to consider how best we can use these new freedoms.

Guidance will be published before the end of the year for public authorities which explains the WTO rules, and any commitments on subsidies agreed through the UK's free trade agreements. There will also be further legislation to remove redundant EU state aid rules from the statute book at the end of the transition period, providing the necessary legal certainty for businesses.

In the coming months, the government will publish a consultation on whether the UK should go further than its international commitments, including on the need for further legislation.

A UK-wide subsidy control regime will ensure that subsidies do not unduly distort competition within the UK's internal market. For example, it will ensure that a Scottish firm is not unfairly undercut or disadvantaged by a subsidy decision in England, and vice-versa. It will also mean that big companies cannot play off the regions, nations, towns, and cities of the UK against each other in a competition to extract taxpayer subsidy – therefore ensuring a dynamic and competitive market economy throughout the UK.

These plans come alongside publication of the new [UK Internal Market Bill](#) in Parliament, which contains measures that will protect jobs and trade across the whole of the United Kingdom after the transition period ends. The Bill clarifies that the UK Parliament alone should legislate for the regulation of subsidies and will ensure that there is no confusion or ambiguity in UK law about the interpretation of the state aid elements in the Northern Ireland Protocol.

The Bill will also guarantee that companies can trade unhindered in every part of the UK as they have done for centuries, while maintaining world-leading high standards for consumers, workers, food, animal welfare and the environment.