

State Aid as a Double-Edged Sword in Times of Crisis: A Comparative Assessment

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Abstract:

Under the state aid rules of the European Union, Member States are generally prevented from granting financial support to undertakings in a way that distorts competition and cross-border trade within the EU. Measures like this may nonetheless be qualified as "compatible with the EU internal market" for several reasons. As of early 2000s, a tendency can be seen in the European Union to grant Member States increasing freedom to make use of derogations and exemptions from the above-mentioned general state aid prohibition. Recent challenges like the coronavirus crisis may even strengthen this tendency, since state aids may also serve to compensate the negative consequences of economic crises, and the European Commission, supported by the Court of Justice of the EU, seems to represent a fairly accommodating attitude towards such national instruments. No wonder that EU 27 Member States spent EUR 320.22 billion on aids in 2020, which represents almost two-and-a-half times the state aid expenditure in 2019.

Despite the fact that state aids are legitimized this way, their economic impact as a form of market intervention are heavily discussed. Depending on the regulatory, political and economic environment where an aid measure is implemented, an intervention like this, besides its potential positive effect, may bring negative outcome from the point of view of market actors (other than the beneficiaries of the aid) or consumers, or even lead to serious distortion of the market. This study aims to highlight the potential consequences of an extensive interpretation of "legitimate state aid" from a critical point of view, evaluating the impact of Covid-19 crises measures in light of the fundamental objectives of EU internal market and competition policy.

The research is based on a comparative analysis applying qualitative and quantitative methods. As two similar cases from the same region, Hungary and Poland will be examined, where the economic policy of the country is influenced by strong nationalist and protectionist political ideology represented by the governing party. As a sample, state aid measures were selected that had been notified to the European Commission between March 2020 and September 2022 by these two countries as those aiming to compensate the negative economic consequences of the pandemic. The economic impact of such aids will be measured on the basis of secondary empirical data published in statistics and market assessment studies of the Commission, in particular in its state aid scoreboards of recent years. The indicators of measuring such impact will mainly be defined on the basis of methodologies to measure market competition published by the OECD in 2021.

The findings of the research might serve as a basis for further similar research, in particular for a market impact assessment of state aid measures aiming at balancing the consequences of the ongoing Ukraine war.

Keywords: state aid, COVID-19 epidemic crisis, public intervention, Hungary, Poland

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