

EU's First M&A Investigation: A Step Forward in Foreign Subsidies Oversight

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The European Union is intensifying its scrutiny of foreign investments under the 2023 Foreign Subsidies Regulation (FSR). As the latest development, the European Commission has [announced](#) this week that it has opened an investigation into a proposed acquisition by e&, the UAE state-owned telecom operator, of the assets of the Czech telecom company PPF Telecom. The European Commission has until 15 October 2024 to make a decision.

First M&A Enforcement

This investigation marks the first time the European Commission has initiated an in-depth investigation into a proposed M&A under the FSR. Let's recall, the FSR is a new tool empowering the European Commission to investigate "foreign financial contributions" that directly or indirectly provide selective benefits to companies active in the EU, to the extent that they distort competition on the EU market. FSR mandates businesses to notify the European Commission of foreign financial contributions for M&A or public tenders exceeding certain value thresholds (for example, in M&A, the target's revenues must exceed €500 million and the financial contribution be at least €50 million). It also grants the European Commission powers to investigate *ex officio* any other potential market distortions caused by foreign subsidies.

So far, the European Commission has used its powers under the FSR primarily in the context of public tenders. For example, in recent months, the European Commission has opened in-depth investigations into public procurement bids of a [Chinese train manufacturer](#) (which ultimately [withdrew](#) its bid) and [Chinese-linked suppliers of solar solutions](#). This trend might now change, as the investigation shows that the European Commission has the resources to tackle various matters at the same time. "*Today we open our first in-depth investigation into a concentration under the Foreign Subsidies Regulation*", announced Margrethe Vestager, the European Commission executive vice-president.

First Enforcement beyond China

This investigation is also the first instance of FSR tools being used against a non-Chinese state-owned company. The European Commission efforts so far involved exclusively Chinese-linked entities, such as the recent dawn raid on the premises of a [Chinese-owned security equipment](#)

[company](#), the [announced EU inquiry](#) into Chinese suppliers of wind turbines in Spain, Greece, France, Romania and Bulgaria, as well as all the previously mentioned inspections.

The investigation into a UAE state-owned telecom operator shows the European Commission's willingness to investigate entities from regions beyond China, including those in the MENA region. It remains to be seen whether this is an isolated case or the beginning of a broader trend in the EU's foreign subsidy oversight.

Further information on the FSR can be found in our [client briefing here](#).

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