

On 23 April 2024, the European Commission carried out unannounced inspections, known as “dawn raids”, on the premises of a Chinese-owned security equipment company using its powers under the [Foreign Subsidies Regulation \(FSR\)](#). This marks the first time that the Commission has exercised its dawn raid powers under the FSR to investigate foreign subsidies received by a company in the EU that are suspected of distorting competition.

“The Commission has indications that the inspected company may have received foreign subsidies that could distort the internal market;” the European Commission [stated in a press release](#). It further noted that its officials were accompanied by counterparts from the national competition authorities of the Member States where the inspections took place. Although this was not disclosed by the Commission, Nuctech, a Chinese security and surveillance equipment supplier, subsequently confirmed that it was the subject of the investigation and that its premises in the Netherlands and Poland had been inspected. IT equipment and employees’ mobile phones were seized by the authorities, who also requested access to data.

The Commission’s use of dawn raids to open an investigation under the FSR is a significant development, as it confirms the authority’s intention of aggressively pursuing any suspicions that subsidies granted by foreign governments are distorting competition in the EU. The FSR is a novel EU instrument that entered into force in July 2023, which consists of three key tools. It requires parties to certain M&A transactions to notify the Commission if they have received substantial foreign contributions (in excess of €50 million in the three years prior to notification); requires participants in public tenders in the EU to disclose if they have received foreign contributions (also above certain value thresholds); and grants the Commission

powers to launch investigations *ex officio* in any other circumstances where it suspects that foreign subsidies may be distorting the internal market.

This week’s dawn raids of Nuctech were the first of their kind based on the Commission’s *ex officio* powers. In recent months, however, the Commission has opened three in-depth investigations under the FSR in the context of public procurement bids, which involved a [Chinese train manufacturer](#) (which ultimately [withdrew](#) its bid) and [Chinese-linked suppliers of solar solutions](#). Additionally, Executive Vice-President Margarethe Vestager recently [announced](#) an EU inquiry into Chinese suppliers of wind turbines. The inquiry will focus on five markets: Spain, Greece, France, Romania and Bulgaria.

The dawn raids build upon the Commission’s burgeoning enforcement efforts and clearly signal its intent to make full use of its powers under the FSR. Given that the FSR has been in force for less than a year, it will be important for both companies in the EU that have received foreign support and EU companies that compete with them to observe the trajectory of this enforcement trend.

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

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