STATE AIDS (ALL INDUSTRIES) : COMMISSION SURVEY

Subject : State aids

Industry : All industries

Source : Commission Statement IP/00/367, dated 11 April 2000

(Note. Although the Commission wrings its hands over the figures for state aids, it does not point a finger at the chief miscreant. Table 1 shows only too clearly that France has actually increased its level of state support during the years in question. In Table 2, an increase is shown for financial services. The two Tables are a warning to those who compete against subsidised traders in the countries and sectors concerned.)

The level of State aid granted in the European Union from 1996 to 1998 remains too high, the Commission said in its eighth annual survey on state aid, despite a decrease to an annual average of €93 billion compared with €104.2 billion in the previous three-year period. The survey covers all sectors of the economy but analyses in particular the manufacturing sector, which absorbed €33 billion a year alone. Mario Monti, EU Competition Commissioner, said that the high levels of aid gave rise to concern, in spite of the downward trend in recent years.

While the €33 billion spent for this sector are less than in the preceding period from 1994 to 1996, the overall decrease is not EU wide and depends upon only a small number of countries, in particular Germany and Italy where aid amounts fell substantially. Also in Belgium, Spain and Portugal levels of aid to manufacturing are now lower. In all other Member States, the levels of aid are increasing (see Table 1).

Substantial differences between individual Member States remain. Aid levels in relation to value added are highest in Greece and Italy and lowest in the United Kingdom and Sweden. A comparison shows that in Italy aid as a percentage of value added is six times higher than in the UK and over twice as high as in France. The differences however seem appears to be growing smaller: Member States like Sweden, the Netherlands or the UK with relatively low aid volumes have continued to increase them whereas countries like Italy and Germany are reducing their relatively high aid levels. A comparison of aid in terms of € per person employed shows that Italy ranks first, followed by Luxembourg and Ireland. The lowest aid per employee is granted in Sweden and in the United Kingdom. In the three new Member States aid levels are all far below the Community average but with a rising tendency.

The share of aid to manufacturing in the Community given in the four cohesion countries – Greece, Ireland, Spain and Portugal - has now increased from slightly under 8% to more than 9%. At the same time, the share of the four large economies has dropped from around 84% during the previous period to 80% now. This is a reassuring development because the disparities in aid spending between the richer and the less prosperous Member States conflict with the objective of social and economic cohesion. In this context it should be noted that in addition to national state aid, industry also benefits from Community interventions by way of the Structural Funds. However, the effectiveness of these instruments in reducing disparities depends crucially on their not being outweighed by an unbalanced development in the use of state aid measures in other Member States.

As regards the overall national state aid to the economy shown in Table 2, the fifteen Member States spent on average €93 billion per year for state aid purposes during the period 1996-1998. The decrease in comparison with the €104 billion during the previous reporting period is a result of substantial reductions in aid to manufacturing and transport and smaller reductions in aid to agriculture, fisheries, coal and tourism. The Commission believes member states should reduce the overall amount of aid, in line with the Lisbon European Council's conclusions. Member states should now urgently make all efforts to carefully rethink their aid spending. Every single reduction of aid clearly reduces the distortion of competition in the single market and increases the benefits of economic and monetary union. The Commission will maintain strict state aid control as a priority. The Survey also reveals that, with 7% of overall aid, Member States still grant considerable amounts of aid on an ad hoc basis, that is, they award it to specific companies outside horizontal, regional or sectorial aid schemes. Such ad hoc aid is mainly aid for the purpose of rescuing or restructuring ailing companies. Because of the serious distortions effects on competition, these aids are strictly controlled.

The findings of this Eighth Survey on Aid emphasise the need for continuing strict control. This has led the Commission to take action along the following lines:

- Increasing transparency. User-friendly access to information on the Com-mission's state aid policy will be reinforced by a state aid register. It is also being considered whether a scoreboard could further improve transparency;
- Modernising the state aid control rules. The frameworks for environmental aid and employment aid are under revision. Legislation is being prepared to exempt certain categories of State aid - like aid for small and medium enterprises, training aid or aid not having a perceptible impact on trade - from notification requirements. Such group exemptions should ensure a reduced level of administrative effort on the part of Member States and the Commission, thereby allowing a greater focus on more complex areas of state aid control;
- Enforcing state aid control effectively outside the European Union. Strict state aid control provisions contained in the Europe Agreements signed with the candidate countries will be enforced through the finalising of implementing rules for these provisions.
- Faster recovery of illegal aid. Particular importance will be attached to a more speedy recovery of aid which the Commission has declared incompatible with the EC Treaty. ■

[Tables on next page]

1 State aid to Manufacturing	In % of value added		In € per employee		In € million	
	1994-6	**1996-8**	1994-6	**1996-8**	1994-6	**1996-8**
Austria	1,3	**1,4**	654	**719**	455	**495**
Belgium	2,5	**1,9**	1376	**1093**	931	**732**
Denmark	2,6	**2,9**	1252	**1433**	607	**712**
Germany	3,8	**2,6**	1941	**1434**	16201	**11463**
-Old Provinces	:	:	*451*	*435*	*3080*	*2856*
-New Provinces	:	:	*8783*	*6021*	*13121*	*8607*
Greece	4,8	**4,9**	925	**997**	592	**616**
Spain	2,3	**2,1**	769	**691**	1883	**1800**
Finland	1,6	**1,6**	928	**959**	366	**391**
France	1,7	**2,0**	895	**1131**	3607	**4481**
Ireland	1,3	**1,9**	909	**1458**	240	**416**
Italy	5,5	**4,4**	2419	**1955**	11040	**8864**
Luxembourg	2,2	**2,3**	1400	**1476**	46	**48**
Netherlands	1,1	**1,2**	702	**735**	602	**629**
Portugal	1,4	**1,0**	263	**188**	272	**195**
Sweden	0,8	**0,8**	421	**441**	330	**344**
United Kingdom	0,6	**0,7**	317	**334**	1358	**1454**
EUR 15	2,8	**2,3**	**1292**	**1113**	38531	**32639**

2	1994–1996	**1996–1998**
Overall national aid in € billion	*104,2*	**93.0**
Of which:		
Manufacturing sector	*38,5*	***32.6***
Agriculture	*14,5*	***13.3***
Fisheries	*0,3*	***0.3***
Coal mining	*9,1*	***7.2***
Transport	*36,7*	***32.1***
Financial Services	*2,0*	***3.3***
Tourism	*0,3*	***0.2***
Media and Culture	*0,6*	***0.7***
Employment	*1,1*	***1.4***
Training	*0,8*	***0.9***
Other Services	*0,3*	***0.9***

Source: European Commission