Competition: state aid, 1994-1998. 8th survey

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PURPOSE : to present the Eighth Survey on State aid in the European Union. CONTENT : the need to maintain free and undistorted competition is recognised as being one of the basic principles upon which the European Union is built. By way of Community Competition policy the Commission aims to help strengthen the competitiveness of the European industry, ensure effective competition in the internal market and create the conditions for markets to function well whilst accounting for Europe's particular social market economy. A key element of competition is Community State aid control, the benefits of which are clear. State aid can frustrate free competition by preventing the most efficient allocation of resources and pose a threat to the unity of the single market. In many cases the grant of State aid reduces economic welfare and weakens the incentives for firms to improve their efficency. There is a unique system of control that exists throughout the European Union and the European Economic Area which is aimed at attenuating the inefficiencies related to State Aid control. This system of control makes an important contribution towards fully realising the benefits of the internal market and single currency. However, in order to ensure that State Aid policy remains fair and equitable, the practical application of its basic principles must evolve to keep pace with economic and technological change and with the emergence of new political priorities. In addition, Member States have at their disposal a number of instruments and it is essential that the economically most efficient be used to achieve the objective at hand. And in the event that State aid is demonstrated as being the most efficient instrument, its award must still respect the continually evolving Community State aid rules. Monitoring and follow-up of national State aid expenditure are essential parts of the Commission's States aid policy that is accompanied by a policy of transparency in the control and use of State aid. The publication of this Eight Survey underlines the continued commitment of the Commission and all Member States to this policy. Compiling and publishing data on the amounts of compatible aid that are awarded is one primary means by which the COmmission demonstrates that it is constantly keeping a close watch one the results of its control policy. This SUrvey is a good basis for orienting the Commission's State aid control policy even though and with the exception of aid that is not yet reimbursed, it does not analyse aid that because of its incompatibiltiy with the Common Market was not approved by the Commission. When in the future the new instruments of States aid register and scoreboards are set up, the Commission would then have at its disposal a set of tools that will allow continued fine-tunig of its State aid policy. In conclusion, bilateral obligations have been established by way of the Europe Agreements concluded with the Central and Eastern European countries that are now candidates to become members of the EU. These agreements contain a clear obligation to follow the EU rules on State aid and full complaince with these rules is still needed with transparency being the first step that should be taken to enforce them. Bilateral agreements have been signed with other countries and in most cases a State aid control dimension has been concluded. The provisions on transparency are essential and should therefore be implemented at an early stage. This Survey therefore provides an example of what we should expect in terms of transparency from all our trading partners.