State aid: aid to industry and services, scoreboard for 2001 and 2002

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This second edition of the State aid Scoreboard intends to increase transparency further and to raise awareness for the need of State aid control. It covers the period 1997 to 1999. The scoreboard contains five parts: 1) a general overview of the State aid situation in Member States: The majority of Member States show a downward trend in state aid in relation to GDP between 1997 and 1999. Between 1997 and 1999, it has fallen by over 30%. There may, however, still be scope for further reductions in the future. Significant disparities remain between Member States. In Ireland and Finland, State aid exceeds 1.5% in 1999. In the UK, State aid as a percentage of GDP is less than 0.5%. Sweden, the Netherlands, Italy and Greece have also aid levels below the EU average. The share of aid to manufacturing, coal and service sectors as a percentage of overall aid ranged from 16% in Luxembourg to 69% in Portugal. Aid to the agricultural and fisheries sectors accounted for only 7% of overall aid in Germany while in Finland agricultural aid was as high as 73%. 2) an analysis of horizontal, regional and sectoral aid that is, for the time being, limited to manufacturing and service sectors: State aid for horizontal objectives, i.e. aid that is not targeted towards the specific sectors or geographic areas, is usually considered as being as less distortive than sectoral and ad hoc aid. In accordance with the request at the Stockholm Council, the relative share of horizontal aid has increased by almost 12%. In contrast the relative share decreased in the Netherlands, Austria and Ireland. The share of aid granted to specific sectors in the EU, as opposed to horizontal or regional objectives, has decreased by 1.6% from 1997 to 1999, although this share increased in Luxembourg, Germany, the Netherlands, Austria and Belgium. A decreasing share of aid went to individual sectors. However, in 1999 aid for coal mining and to individual service and manufacturing sectors still accounted for over 30% of total aid. Increased efforts from Member States are still needed if the desired reallocation of aid from sectoral to horizontal objectives is to be achieved. Seven Member states reduced aid to specific service sectors, such as airline and financial services, tourism, media and culture. 3) data on state aid control procedures of both the Commission and the Member States 4) the fourth part attempts to situate State aid in the broader context of the internal market and the structural reforms undertaken by the Member States. In the light of the broader implications of State aid and beyond the mere respect for EC competition rules, Member States may wish to consider re-evaluating their State aid policies for reasons of economic effectiveness and efficiency. This part examines state aid for R&D and finds that it is relatively small compared to Business Enterprise R & D expenditure. The former accounts for only 0.05% of GDP in the EU. Finland, Denmark and Austria have the highest shares. The report goes on to point out that Member States with a relatively high level of R&D aid do not necessarily generate a large number of patents or enjoy a high rate of labour productivity growth. However, generating patents is not the primary objective of R&D aid and the number of patents is strongly dependent on the sector in which industrial research isconducted. 5) the fifth part, the State aid Forum, collects sources and Internet-links for supplementary information.