Competition policy. 27th report 1997

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PURPOSE : presentation of the 6th report of the Commission on state aids in the European Union. CONTENT : This report covers the period from 1994 to the end of 1996 (the 5th report covered the period 1992-94) and, for the first time, covers the three new EU Member States (Austria, Finland and Sweden). The approach followed by the report is that of maximum transparency of state aids granted by the Member States as in the previous reports but with greater attention given to international developments (accession negotiations with the CEECs, the WTO context). On the methodological front, the report covers state aids granted to the following sectors : manufacturing, agriculture, fishing, transport (rail and air), financial services and energy (coal). It contains a detailed analysis of the volume of national aids categorised by their type and objectives. It would appear, in the manufacturing sector, that the granting of aids is on a regular downward trend (38.3 thousand million ECUs in EUR 15 in 1994-96 instead of 37.5 thousand million in EUR 12 in 1992-94) but that this downward trend is relatively modest since state aids still represent 3% of the value added in the manufacturing sector (that is, 1,200 ECUs per employee). The report observes, among other things, that the regional disparities remain important. From the cohesion perspective, the volume of aids in the 4 beneficiary countries (Greece, Ireland, Portugal and Spain) rose from 6.5% to 8.8% of the total aids (EUR 12) while the share of the aids in the four largest economies (Germany, Italy, France and UK) fell by 88% during the 1992-94 period as against 83% in 1994-96. More specifically, the financing from the budget constitutes a form of aid preferred by the Member States (an approach that is particularly appreciated by the Commission because of its transparency). However, the report points to a new trend favouring sectorial aids or so-called 'ad hoc' aids granted to individual companies (thus, outside the regime for horizontal, sectorial or regional purposes). The manufacturing, financial services and transport sectors are the sectors where the 'ad hoc' aids are the most prevalent and the least transparent. They are generally for the rescue or the restructuring of companies and have risen from 6% of overall aid to these sectors in 1992 to 16% in 1996. In conclusion, the report considers that the global volume of aids remains, as a general rule, too high in a competitive environment such as that of the single market. To recapitulate, Art. 92 of the Treaty prohibits state aids or only authorises them in the case where a derogation is applicable (R&D, SME, training, environmental protection, regional development). An excess of state aids, according to the Commission, can only damage the proper operation of the single market in the context of the growing globalisation of the economy and is always a sign of an inexorable fall in competitiveness. State aids weigh heavily on the public expenditure of Member States (and therefore on taxes), curtailing potentially more productive private investment and endangering the budgetary discipline associated with the Euro. The Commission announces that it will in the future be more vigilant in the control of state aids, that it will limit as rigorously as possible those aids towards the rescue and restructuring of companies ('ad hoc' aids) and that it will propose a co-ordinated strategy of selective reduction of aids.