Competition, State aid: manufacturing sector, 1993-1997. 7th report

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PURPOSE : to present the Commission's Seventh Survey on State Aid in the European Union in the Manufacturing and certain other sectors. CONTENTS : the survey includes national aid given in the Community of 15 Member States to the manufacturing, agriculture, fisheries, coal, transport, railways, inland waterways, maritime and airline, and financial services sector. The survey shows the amount of aid given by the Member States to the restructuring of their manufacturing industries started to decrease : the aid awarded to the manufacturing sector in the European Union during the period under review 1995-1997 amounts to an annual average of some 37,7 billion euro, which represents a decrease of 13%, compared with the 42 billion euro of aid annually awarded during the previous period 1993-1995. This overall drop in the volume of aid is almost exclusively the result of a large decrease of the aid levels in 3 Member States - in Germany and, to a lesser extent, Italy and France. In the course of the next 2 or 3 years, we should observe a decrease concerning the reconstruction of the air transport sectors and the financial services sector. However, the persistence of a high level of aid and the fact that the actual reduction is due to a large reduction in Germany, are, for the Commission, two major reasons to keep pressure on State Aid in the Community. In regard to cohesion within the European Union, the findings of the Survey indicate that the gap between the level of State Aid granted in the richest Member States and in the four cohesion countries is slowly diminishing. It appears that the share of aid in the four cohesion countries - Greece, Ireland, Portugal and Spain - has increased from around 7.5% of total aid to the manufacturing sector during the previous period to approximately 11% in 1995-1997. By way of comparison, the share of the four big economies - Germany (37%), Italy (28%), France (12%) and the UK (5%) - in manufacturing aid has decreased from 87% to 82%. The Commission would like to see these trends continue. With the introduction of the Regional Aid Guidelines, the Commission is endeavouring to ensure that regional aids support viable investments that make a contribution to regional development. Also, the newly established multisectoral framework for regional aid destined for large investment projects has the effect of protecting less-favoured countries or regions from being out-manoeuvered by better-off regions. As was noted in previous surveys, a relatively large volume of aid falling outside schemes promoting horizontal, sectorial or regional objectives is still granted on an ad hoc basis to individual enterprises. Ad hoc aid, which is granted mainly for rescue and restructuring of companies, at the same time, is most prone to distort competition. In the manufacturing sector, it increased in volume from 6% of total aid to this sector in 1992 to 10% in 1997. If aid granted to the new German Länder is added, their share in overall aid to manufacturing shifted from 19% in 1992, to 37% in 1994 and has subsequently fallen back. In this context, the Commission intends to revise its Guidelines on aid for rescue andrestructuring. This aid will not be used as a pretext to protect national industries in decline or companies in difficulty. Lastly, whilst State aid control is essential for the maintenance of fair and equitable competition in the Union, downward pressure on government interventions that distort competition and affect trade also has to be exercised on a world-wide level. The multi-lateral trading system must therefore be reinforced in the light of the objectives of European Competition Policy. In order to achieve this, the Commission, in collaboration with Member States, must counter all anti-competitive practices that threaten European industry by striving for greater subsidy disciplines on all three fronts. Firstly, under the auspices of the WTO Subsidies Agreement; secondly, in the context of bilateral agreements with third countries where the principles of rigorous subsidy discipline will continue to be a key dimension, and, thirdly, the Union should, in the appropriate international fora, continue to encourage the improvement of international labour standards.