COMMISSION
OF THE EUROPEAN
COMMUNITIES

DIRECTORATE-GENERAL
FOR COMPETITION

Brussels,
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SEC(92) 1384, July 1992

Third Survey on State Aids in the European Community in the manufacturing and certain other sectors

Communication from Sir Leon Brittan to the Commission

Background

1. At its meeting on 21 December 1988 the Commission authorized the publication of the First Survey on State Aids in the European Community[1]. This Survey was drawn up because of the necessity to review state aid policy in the light of the new situation brought about by the creation of the internal market. The document gave - for the first time ever - a detailed analysis of volume, trends, forms and objectives of national aids awarded in the manufacturing and certain other sectors in the Community. It covered aids given during the period 1981 - 1986 in ten Member States; Spain and Portugal not having yet joined the Community at the beginning of the period under review.
In order to increase further transparency in the field of State Aids, the Commission decided to regularly update the Survey. In 1990 it authorized the publication of the Second Survey[2] on State Aids which contained additional figures for 1987 and 1988 and covered all twelve Member States.

1 SEC (88) 1981 of 13.12.1988; COM (88) PV 945 of 21.12.1988
2 SEC (90) 1165/3 of 10.7.1990; COM (90) PV 1021 of 18.7.1990 and COM (90) PV 1022 of 25.7.1990

2. Both documents proved that a high volume of national support to the economies existed in the different Member States. On the basis of this information and the detailed analysis contained in the two documents, the Commission, in view of 1992, considerably strengthened its State Aid policy. In particular, it was decided to examine all existing aids, to reduce considerably the general aid schemes and to clarify the Commission's control policy towards support to public companies[3]. Furthermore, the Commission endeavoured to tighten control of aid, particularly in the more central Member States, in order to contribute to increased cohesion in the Community.

3. The Third Survey updates the existing data with figures for 1989 and 1990. Covered are the twelve Member States' national aids given to the sectors : manufacturing, agriculture, fisheries, coal and transport, which latter comprises railways and inland waterways. Methodological explanations are given in a technical appendix (annex I). The statistical appendix (annex II) contains basic statistical data on aid to manufacturing and on overall aid in the different Member States.

The principle purpose of the Survey is to provide information and greater transparency on the current structure of state support to companies in the Member States of the Community. In a wider context, the publication of the Third Survey would underline the Community's desire to increase transparency in matters of State Aid on a world wide level and by that its commitment to a free world trade.

3 Commission communication to the Member States : application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacuring sector, in : O.J. No C 270 of 18.10.1991, p.2.

Main results

4. As concerns aid to manufacturing, which is at the centre of the analysis in this Survey, the figures available allow the general conclusion that, on Community level, aid is declining over the five years 1986 - 1990. However, the still massive amount - almost 36 milliards ECU were annually spent on aid to manufacturing in the years 1988-1990 - together with a slight upward swing observed in the last year under review, should induce the Commission to carefully monitor the future development in this sector in order not to jeopardize the globally good results which have been achieved through its State Aid control policy in recent years.

5. Despite the general reduction of aid to manufacturing the disparities between the different Member States in the award of aid to industry remain important. Table I shows aid related to value added and per person employed. Setting Greece apart, because of the provisional character of the Greek figures, the highest aid levels are to be found in Italy, Portugal and Ireland. The Member States with the lowest aid levels in the manufacturing sector are Germany[4], Denmark and the United Kingdom. A comparison of the four big economies shows that in Italy aid in per cent of value added is three times higher than in the United Kingdom, more than two times higher than in Germany and more than one and a half times higher than in France. This ranking persists if aid is expressed in terms of ECU per person employed.

Furthermore, public support to industry in these four Member States, which accounted for 75 per cent of all industry aid in the Community during the period 1986-1988, had risen to 79 per cent in the period 1988-1990.

4 Aid in 1990 to the German Democratic Republic and, after 3 October 1990, to the new Länder will be taken account of in 1991. They are, therefore, not included in the totals of the Survey, but are analysed in its annex II.

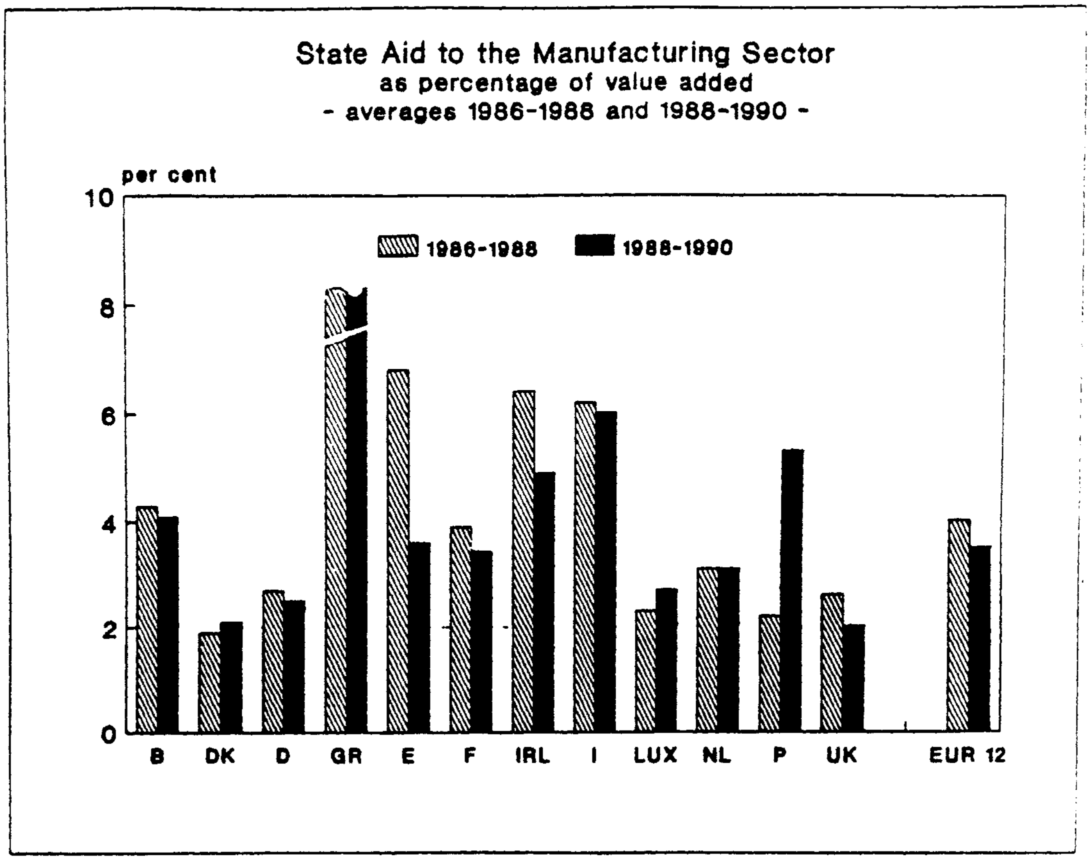
This increase of support to industry in the four largest Member States to the detriment of the peripheral Member States has serious implications for economic convergence within the Community. The Commission should, therefore, continue strengthening State aid control in order to put an end to the negative effects of such a trend on cohesion within the Community.

Table 1

State aid to the manufacturing sector
Annual averages 1988-1990 and 1986-1988 (in brackets)

	In per cent of value added		In ECU per person employed	
	(1986-1988)	1988-1990	(1986-1988)	1988-1990
Belgium	(4.3)	4.1	(1606)	1655
Denmark	(1.9)	2.1	(593)	634
Germany	(2.7)	2.5	(994)	984
Greece	(24.3)	14.6	(2983)	1502
Spain	(6.8)	3.6	(1749)	936
France	(3.8)	3.5	(1437)	1380
Ireland	(6.4)	4.9	(2114)	1734
Italy	(6.2)	6.0	(2139)	2175
Luxembourg	(2.3)	2.6	(988)	1270
Netherlands	(3.1)	3.1	(1215)	1327
Portugal	(2.2)	5.3	(302)	758
United Kingdom	(2.6)	2.0	(770)	582
EUR 12	(4.0)	3.5	(1325)	1203

The following diagram gives an overview of this situation.



<u>Overall national aid</u>

6. As concerns <u>overall national aid</u> to the economy, the figures confirm the conclusion of the previous Surveys that the volume of aid in the Community, even if it is declining, is still massive. As a matter of fact, in 1988-1990, Member States spent on average more than 89 milliards ECU annually for state aid purposes. The sheer volume of this amount should be a serious argument for the Commission to continue strengthening its State Aid policy.

Table 2

Overall state aids in the Member States 1988-1990
and 1986-1988 (in brackets) in per cent of gross domestic product
and per person employed

	In per cent of GDP		In ECU per person employed	
	(1986-1988)	1988-1990	(1986-1988)	1988-1990
Belgium	(3.2)	2.8	(1153)	1040
Denmark	(1.0)	1.1	(385)	409
Germany	(2.5)	2.4	(964)	971
Greece	(4.5)	3.1	(640)	387
Spain	(2.7)	1.8	(668)	480
France	(2.0)	1.8	(779)	735
Ireland	(2.7)	2.0	(703)	564
Italy	(3.1)	2.9	(1016)	982
Luxembourg	(4.0)	4.0	(1390)	1389
Netherlands	(1.3)	1.3	(513)	528
Portugal	(1.5)	2.2	(167)	245
United Kingdom	(1.1)	1.1	(300)	312
EUR 12	(2.2)	2.0	(728)	687

Table 2 shows that the highest aid levels relative to GDP - setting Greece aside because of the still very unreliable aid figures for that country and taking into account that the high aid value in Luxembourg is a result of the extremely large financial support for railways in this Member State - are to be found in Italy, Belgium, Germany and Portugal.

The least aid is given, in descending order, in the Netherlands, Denmark and finally the United Kingdom, where the overall aid level is only half the Community average.

It can be observed that the four peripheral and weaker countries Greece, Spain, Ireland and Portugal give less aid per person employed than on Community average and considerably less than most of the better-off and more central Member States.

This is a serious sign that also at the global level of aid award as already at the level of support to industry, the Commission's declared aim of cohesion is not yet sufficiently reflected in national aid policies. It reinforces the necessity for the Commission to continue to increase, in the field of State aid control, its efforts towards more cohesion.

Drawing up of future Surveys

7. During the drawing up of all the three Surveys it became evident that the process of coordination between the Commission and the Member States is complex and time consuming. Consequently, despite an envisaged annual updating, the three Surveys will only have been published on a biennial basis. The continuation of this rhythm would considerably facilitate the compilation and subsequent clearing up of the figures with the Member States. It would, furthermore, allow to continue to calculate figures over gliding three years averages which revealed to be a statistically sound basis for conclusions to be drawn.

Impact of the Agreement on the European Economic Area

8. The Agreement on the European Economic Area foresees that the Commission and the future EFTA Surveillance Authority shall periodically prepare reports on State aid in their respective States. The regularly updated Survey would constitute a suitable basis which, if necessary, could be adapted, after consultation with the partner states, to the specific requirements of the information procedure foreseen in the Agreement.

Proposal to the Commission

9. In view of the above, it is proposed to the Commission

- to adopt the attached Third Survey on State Aids in the European Community in the Manufacturing Sector and in Certain Other Sectors

- to authorise its transmission to the Member States, the European Parliament and the Economic and Social Committee and to publish it in all Community languages in the Commission's "Document" series

- to decide a biennial drawing up of future Surveys and

- to decide that the Directorate General for Competition shall be charged with the preparation of the reports on State aid as foreseen in the Agreement on the European Economic Area.

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COMMISSION
DES COMMUNAUTES
EUROPEENNES

DIRECTION GENERALE
DE LA CONCURRENCE

Bruxelles, le 14. 7. 92

Note concerning the document SEC(92)1384 "Third Survey on State Aids"

The now circulated new version incorporates the changes made in response to the chefs-meeting of 9. July with the exception of the changes to be made for agricultural aids. These modifications, asked for by DG VI and accepted by DG IV, will be circulated as a separate note and will be incorporated in the document as soon as it is technically possible.

COMMISSION
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FOR COMPETITION

Brussels, July 1992

THIRD SURVEY ON STATE AIDS IN THE EUROPEAN COMMUNITY IN THE MANUFACTURING AND CERTAIN OTHER SECTORS

CONTENTS

INTRODUCTION

Background

1. The completion of the Single Market and the project of an Economic and Monetary Union beyond 1992 requires an effective competition policy. This is particularly necessary in the field of state aids since these can be used to replace barriers to trade that have been dismantled in the integration process. Furthermore, the uncontrolled proliferation of state aids would vitiate the structural change necessary to achieve and underpin the Single Market and, given the volume of resources available in the richer central states, would threaten the efficient contribution of the Community's Structural Funds to greater convergence and economic and social cohesion of the Member States. These dangers and the ensuing necessity of a strict State Aid policy have been recognized by Member States and the Commission.

   There is a growing perception of the importance of aid as an obstacle to international trade since the Commission has published the previous Surveys. As the world's largest trading block the Community is committed to, and its prosperity depends on, an open and fair international trading system. Whilst aids are obviously only one of the barriers to trade, a strict attitude in this field demonstrates the Community's committment to the international trading system. Consequently, any aids granted in the Community must be in conformity with the GATT rules.
   Trade relations can only improve with increased transparency. The Commission, therefore, plays an active part in the GATT discussions on this subject and participates in the study to quantify aids

currently being undertaken in the OECD. To facilitate the success of the future European Economic Space, the Commission's Survey on State Aids will serve as an appropriate basis for the exchange of information between the EFTA states and the Community.

2. To meet these challenges, the Commission undertook to review and, if necessary, to adapt its State Aid policy to this new development. As a first step, the Commission decided to create the indispensable basis for possible reorientations of policy through the collection of increased information on volumes and flows of aid, their different forms and the objectives pursued with it by Member States.

As a result of this work, the Commission published 1989 the First Survey on State Aids in the European Community(1). This document gave - for the first time ever - a detailed analysis of volume, trends, forms and objectives of national aids awarded in the manufacturing and certain other sectors in the Community. It covered aids given during the period 1981 - 1986 in ten Member States; Spain and Portugal not having yet joined the Community at the beginning of the period under review.

Since the Survey concluded that transparency in the field of State Aids had still to be increased considerably, the Commission decided to regularly update the Survey. This led to the publication in 1990 of the Second Survey(2) on State Aids which contained additional figures for 1987 and 1988 and covered all twelve Member States.

(1) Commission of the European Communities : First Survey on State Aids in the European Community, Luxembourg 1989.

(2) Commission of the European Community : Second Survey on State Aids in the European Community in the Manufacturing and Certain Other Sectors, Luxembourg 1990.

3. The main result of these two documents was, however, the factual proof of a concerningly high volume of national support to the economies in the different Member States. On the basis of this information and the detailed analysis contained in the two documents, the Commission considerably strengthened its State Aid policy. It decided in particular to examine all existing aid schemes, to clarify its control policy towards support to public companies[3] and it endeavored to tighten control of aid, particularly in the more central Member States, in order to contribute to increasing cohesion.

4. The Third Survey updates the existing data with figures for 1989 and 1990. Its principle purpose is to provide information on the current structure of state support to companies in the Member States of the Community.
In a wider context, the Survey, in presenting a transparent and coherent picture of current aid flows within all Member States, underlines the Community's desire to increase transparency in matters of State Aid on a world wide level and by that its commitment to a free world trade.

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3 Commission communication to the Member States : application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector, in : O.J. No C 270 of 18.10.1991, pp.2.

Conceptual remarks

5. This Third Survey on State Aids covers the period 1986 - 1990. It updates the Second Survey published in 1990 with new data on state aids for the years 1989 and 1990. Included in the Survey are the twelve Member States' national aids given to the sectors : manufacturing, agriculture, fisheries, coal and transport, which latter comprises railways and inland waterways. The reasons for these limitations together with general methodological explanations are given in the technical annex (annex I). The statistical annex (annex II) contains basic statistical data on aid to industry and on overall aid.

6. When comparing the different Member States, the analysis of the aid figures concentrates on the annual averages over the three years period 1988-1990. Where appropriate, the figures for the period 1986-1988 are given by way of comparison.
As it was already the case in the Second Survey, the periods are overlapping by one year. For comparisons between Member States, the use of gliding three years averages is the only possibility to arrive at conclusions supported by statistically sufficiently reliable figures. Actually, for a certain part of the figures, amounts are at present only known over longer than one year periods. In such cases, the annual amounts have to be arbitrarily assigned to individual years. Furthermore, the amounts for the last year taken into account (1990) are to a not negligible extent provisional and will - as it was already the case for the last year of the period reviewed by the Second Survey (1988) - certainly be modified by the Member States during the next verification of data for subsequent years. The resulting weak viability of annual figures - particularly when broken down to Member States - is statistically straightened out by using overlapping three years averages.

In order to make the averages of the previous period comparable with the averages 1988-1990, the absolute figures 1986-1988, unless otherwise indicated, are expressed at 1989 prices[4]. Throughout the Survey, therefore, figures are in real terms[5].

7. The figures for 1989 and 1990 were drawn up by the Commission departments in cooperation with the Member States concerned. Together with the already existing figures for 1986-1988 they were verified by the Member States and, if necessary, modified. This procedure guarantees that a relatively high degree of certainty can be placed on the data.

Unfortunately, no cooperation was received from the Greek authorities. Consequently, the Commission had to recur to a list of Greek state aids and the amounts involved which were compiled by a consultant. This study then served as a basis for the Commission departments' estimates and extrapolations. Results for Greece should, therefore, be treated with extreme caution.

This warning applies to a lesser degree also to the figures for Belgium, where cooperation was only received from the Wallon and the Flemish Region but not from the central administration. Therefore, particularly as concerns fiscal expenditure, considerable estimations had to be made.

Finally, the provisional figures for Portugal for the annual averages 1986-1988 contained in the Second Survey were completely revised in close cooperation with the Portuguese authorities. As a result, the 1986-1988 figures are considerably different from the provisional figures published in the Second Survey. In addition, the annual figures for Portugal over the entire range of years 1986 - 1990 are still somewhat lacking statistical stability because their annual repartition had partly to be based on rather global estimations.

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(4) The figures for 1986-1988 are, therefore, not identical with those published in the Second Survey. In addition, they are not identical because of the - in some cases considerable - modifications by the Member States of the 1988 figures mentioned above.

(5) The basic tables with annual values of industry aid at current exchange rates are given in the statistical annex (annex II).

German state aid to the former German Democratic Republic

8. Starting in 1990 - at a time when the GDR still existed but when the wall had already been torn down - the Federal Government and different Länder decided to create specific aid schemes to facilitate investment and trade in the GDR. These untypical aid schemes - because they focused on assisting the economy of an at that time independent State - became effective after 1 July and continued after the reunification at 3 October 1990 as normal aid schemes for the new Bundesländer. In view of this very untypical situation and taking account of the fact that aid payments and even aid commitments in 1990 were still relatively unimportant compared with the appropriations under these schemes foreseen for 1991, it was felt more adopted to the comparative purpose of this Survey to start including these aids only in 1991 in order not to bias comparisons between the two three years periods 1986-1988 and 1988-1990.

Consequently, aids awarded under these particular schemes in 1990 - the overall amount is 466 million ECU - are given for information only. They are analyzed in annex II. Therefore, throughout the Survey, aid in Germany means aid given in the territory of the former Federal Republic.

PART I - AID TO THE MANUFACTURING SECTOR

Volume and trend of aid to manufacturing

9. In the Community, aid to manufacturing accounts for the bulk of the aids covered by this Survey; in fact, during the period 1988-1990 40 per cent of overall aid went to the manufacturing sector. The analysis of aid to this branch of the economy occupies, therefore, the centre of this Survey.

Community Totals

10. Table 1 shows the annual amounts of aid to industry in the Community in the years 1986 to 1990.

Table 1

State aid to the manufacturing sector in the Community 1986 -1990.
Annual values in constant prices (1989). in mio ECU

	1986	1987	1988	1989	1990
EUR 12	40616	35807	39877	32585	34114

Although the figures have to be interpreted very cautiously(6), they allow the conclusion that globally the volume of aid in the Community shows a downward tendency over the five years under review.

(6) the somewhat erratic character of the annual figures - which remains even if some untypical aid amounts awarded 1988 are eliminated - reflects clearly a certain arbitrariness in the attribution of the aid amounts to the different years.

With the exception of 1988; where a relative peak can be explained to a large degree by some untypical aid awards in two Member States(7), the real volume of aid is steadily declining. Whether the slight upward movement in 1990 is to be seen as a change of this tendency or only as a further erratic peak like the one in 1988, can only be established on the basis of figures for the subsequent years 1991 and 1992 which are not yet available.

11. Absolute values, even if aggregated on Community level, are of only limited use for reflecting developments of national aid policies over time. Therefore, table 2 depicts aid to industry in per cent of value added, per person employed in this sector and in per cent of intra-Community exports of industrial products(8).

Table 2

State aid to the manufacturing sector in the Community
Annual values 1986 to 1990

EUR 12	1986	1987	1988	1989	1990
In per cent of value added	4.2	3.7	4.0	3.2	3.3
In ECU* per person employed	1383	1225	1360	1100	1152
In per cent of intra-Community export**	25.1	21.9	23.1	17.2	17.8

* at constant prices of 1989
**intra-Community exports of industrial products

(7) some major sectoral restructuring was supported in Spain and France.

(8) Since a small but not exactly quantifiably part of the aid amounts has to be attributed to the service sector (trade, repair, consultancy), the figures shown may be slightly overestimated.

Aid levels relative to value added show a declining tendency over the period under review. This is particularly perceivable in 1989 and 1990. Even if the figure for the last year shows a slight upward swing, it is, however, still about one fifth lower than in 1988 or 1986.

The amount of aid per person employed in industry decreases over the five years in real terms from 1383 ECU to 1152 ECU. Here again, the globally declining tendency is temporarily interrupted in 1988, where a relative peak can be noticed, and slightly reversed in 1990, where the annual value constitutes a small increase compared with the previous year.

Aid relative to the value of intra - Community exports of industrial products - this ratio can be seen as a good indicator for the potential distortion of competition in the Community - also shows a longer term downward trend with an indication of a possibly in 1990 starting upward swing.

12. From table 1 and table 2 it can be seen that the absolute aid amounts and the three indicators used to mirror the tendency of aid to industry on Community level - aid relative to value added, per person employed and in relation to export - all coincide : The aid level in industry is declining over the whole period and particularly since 1988.

The hint to a possible reversal of this tendency starting in 1990[9] will have to give rise to a careful monitoring by the Commission of the further development in 1991 and 1992 and to a further strengthening of the Commission's state aid policy in order not to jeopardize the good results which have been achieved in recent years.

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(9) Since the figures for the last year of the period under review usually contain a not negligible amount of provisional data and since in general the periodization of the data to arrive at annual figures has sometimes to be based on arbitrary decisions, this conclusion can only be drawn with extreme caution.

Comparisons between Member States

13. Table 3 shows the aid levels in industry for the different Member States in the period 1988-1990[10] expressed in per cent of gross value added and aid amounts per person employed in this sector. In addition, real term absolute aid amounts are given for information.

Table 3

State aid to the manufacturing sector
Annual averages 1988-1990 and 1986-1988 (in brackets)

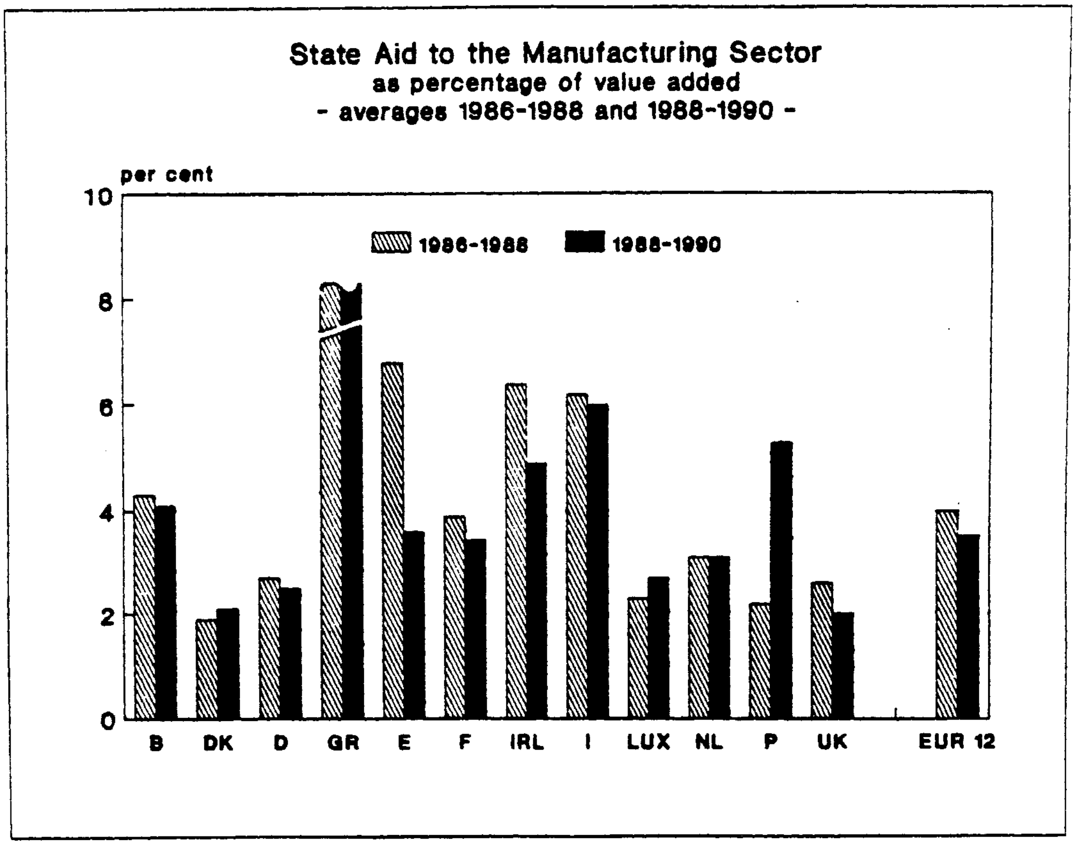
	In per cent of value added		In ECU per person employed		In mio ECU*	
	(1986-1988)	1988-1990	(1986-1988)	1988-1990	(1986-1988)	1988-1990
Belgium	(4.3)	4.1	(1606)	1655	(1175)	1211
Denmark	(1.9)	2.1	(593)	634	(316)	333
Germany	(2.7)	2.5	(994)	984	(7869)	7865
Greece	(24.3)	14.6	(2983)	1502	(2074)	1072
Spain	(6.8)	3.6	(1749)	936	(4491)	2499
France	(3.8)	3.5	(1437)	1380	(6479)	6106
Ireland	(6.4)	4.9	(2114)	1734	(447)	368
Italy	(6.2)	6.0	(2139)	2175	(10760)	11027
Luxembourg	(2.3)	2.6	(988)	1270	(37)	48
Netherlands	(3.1)	3.1	(1215)	1327	(1101)	1225
Portugal	(2.2)	5.3	(302)	758	(245)	616
United Kingdom	(2.6)	2.0	(770)	582	(4101)	3133
EUR 12	(4.0)	3.5	(1325)	1203	(38835)	35503

* 1986-88 averages in 1989 Prices

(10) Detailed breakdowns by Member States can only be compared reliably if gliding three years averages are used. The reasons for that are explained in point 6 above.

The aid levels show significant differences between the individual Member States.
Diagram I gives an overview of the situation when aid levels are expressed as aid to industry relative to value added.

Diagram I



Greece exhibits by far the highest level of all Member States. The provisional character of the Greek figures does not allow any further detailed comment going beyond that statement.
Therefore, setting Greece apart, the highest aid levels are to be found in Italy, Portugal and Ireland. These countries rank high

above Community average, with Italy remaining at this high level, Ireland reducing largely its exposed position and Portugal increasing it considerably in comparison with the previous period 1986-1988.
Belgium and Spain are still situated above the Community average, but form, together with France, the Netherlands and Luxembourg, a group of countries with values close to Community average. Spain joined this group, after having been, during the previous period, the second largest aid giver. This important decline of aid to industry in Spain is mainly the result of a considerable reduction in steel aids after a major and heavily aided restructuring of this sector in 1988.
The lowest aid to industry is given, in declining order, in Germany, Denmark and the United Kingdom. Aid is in all three countries far below the Community average with, compared to the previous period, even declining values for Germany and the United Kingdom.

14. The situation described in terms of aid related to value added is more or less confirmed if aid per person employed is looked at. Here again, Greece is situated far above all Member States and, Greece set apart, Italy and Ireland are to be found in the group of the highest aid givers, this time joined by Belgium instead of Portugal, which latter, because of its still relatively low productivity, is now ranking amongst the lowest aid givers.
France, the Netherlands and Luxembourg are still above but already close to the Community average and the group of low aid givers comprises now, in descending order, Germany, Spain, Portugal, Denmark and the United Kingdom at the bottom.

15. As a general conclusion on the differences in aid tendencies between Member States, it can be established that despite an overall reduction of aid to industry on Community level - in absolute terms and in terms of aid related to value added and per person employed - which is a result of equivalent reductions in the majority of Member States, significant differences between the individual countries remain.

A comparison of the four big economies shows that in Italy aid in per cent of value added is three times higher than in the United Kingdom, more than two times higher than in Germany and more than one and a half times higher than in France. This ranking persists if aid is expressed in terms of ECU per person employed.
A direct comparison between these four Member States and the four countries which are in the process of catching up - Greece, Spain, Ireland and Portugal - reveals that the relative importance of industry support is rising in the more central Member States. As a matter of fact, in the four big economies, aid expressed in per cent of value added has only declined from 3.7 to 3.4 per cent during the two periods under review, whereas in the peripheral economies the same indicator drops from 7.7. to 4.6 per cent which is a much stronger decline.
Furthermore, a look at the absolute amounts contained in table 3 shows that the relative weight of aid to these four countries is increasing: whilst the expenditure of Italy, Germany, France and the United Kingdom accounted for 75 per cent of the annual average of aid to industry during the period 1986-1988, it has risen to 79 per cent in the period 1988-1990.

The increase of industry support in the four largest Member States to the detriment of the peripheral countries has negative effects on economic convergence within the Community. The Commission is, therefore, determined to continue strengthening its State Aid policy in order to promote greater cohesion.

<u>Aid to shipbuilding</u>

16. In shipbuilding, which is a sub-sector of industry, aids are covered during the two periods under review by the Sixth Shipbuilding

Directive[11]. Table 4 shows aid relative to gross value added in this sector. The other subsector covered by a strict discipline, steel, is not singled out anymore, as it still was in the First Survey, because aid has virtually been phased out since 1986. After this date, the steel sector can only obtain R & D and environment aid and aids to cover the social cost of closures. Only for the new Member States Spain and Portugal a transitional period has been allowed until the end of 1988 resp. 1990.

Table 4

Aid to shipbuilding 1988-1990 and 1986-1988 (in brackets) in per cent of value added in this sector per cent

	(1986 - 1988)	1988 - 1990
Belgium	(22.4)	14.5
Denmark	(30.3)	66.4
Germany	(20.3)	25.1
Greece	(17.0)	13.0
Spain	(10.4)	34.1
France	(117.8)	55.0
Ireland	-	-
Italy	(59.7)	84.8
Luxembourg	-	-
Netherlands	(16.3)	23.4
Portugal	(10.1)	78.6
United Kingdom	(24.0)	10.8
EUR 12	(34.5)	34.3

11 OJ L 69 of 12.3.1987.

Aid levels are generally high but particularly so in Italy, Portugal and Denmark with each time more than double and in France with one and a half the Community average. Spain, Germany and the Netherlands are below but still relatively near the average, whereas Belgium, Greece and the United Kingdom can be considered as the relatively lowest aid givers in this sector since shipbuilding aids in these countries only account for less than one half or, in the case of the United Kingdom, even less than one third of the Community average.

The trends of shipbuilding aid in the individual Member States have been very different. Aid levels in Belgium, France, Greece and the United Kingdom all declined. In Denmark, Germany, Spain, Italy, the Netherlands and Portugal, on the contrary, aids increased significantly. As a result of these opposite developments, the Community average remains virtually unchanged.

Types of aid

17. Table 5 gives an overview of the various forms of aid used in the Member States.

Table 5

State Aid to the Manufacturing Sector 1988 - 1990
Breakdown according to type of aid

per cent

	TYPE OF AID						
	Group A		Group B	Group C		Group D	TOTAL
	Grants	Tax reductions	Equity partici-pations	Soft loans	Tax deferrals	Guarantees	
Belgium	55	27	5	5	0	8	100
Denmark	59	3	0	37	0	0	100
Germany	28	61	0	7	3	1	100
Greece	44	17	18	11	0	11	100
Spain	78	0	10	11	0	1	100
France	28	16	11	14	3	28	100
Ireland	50	44	2	0	0	3	100
Italy	53	40	5	2	0	0	100
Luxembourg	75	5	2	16	0	1	100
Netherlands	66	27	0	4	0	3	100
Portugal	34	3	59	4	0	1	100
United Kingdom	78	4	8	3	6	1	100
EUR 12	47	32	7	7	2	6	100

Grants and definitive tax reductions, which have been classified in this Survey as group A forms of intervention, are by far the most frequently used form of aid in the Community. Within this group, direct grants are more often employed than tax breaks. This can be explained by the fact that the former type of aid is more flexible than the latter. Since the introduction of grants is in general less "costly" in terms of parliamentary procedures than the introduction of changes to tax laws, governments have a preference to employ the former type of aid. The figures show that Germany seems to be an important exception to this generally observable rule. The high percentage of tax reductions registered in this Member State is, however, a result of the large amount of Berlin/Article 2c aids which are almost totally given in this form. Without this category of aid, the German figures as well would confirm the observed general preference for grants in group A.

18. Aid in form of state equity participation, classified under group B, is to a not inconsiderable extent given in Greece, France, Spain, the United Kingdom, where it is primarily due to financial preparations for privatisation, and, to a large degree, in Portugal, where this form of aid accounts for more than half of all industry aid. The high percentage of capital injections in this Member State is, however, due to particularly large amounts of aid awarded to the steel sector in 1989 when a major restructuring of this sector was started. The figure does, therefore, not correctly reflect the situation prevailing over the whole period under review.

Of all forms of aid, support in form of equity participation is the least transparent and the most difficult to establish. The reason for that is that such financial transfers only constitute aid if they are carried out under circumstances which would induce private entrepreneurs to refrain from such an investment. The decision on the aid character of state equity participations requires, therefore, an in-depth analysis of each case[12]. Because of that, the picture given in table 5 should only be considered as a global indication.

19. Forms of aid classified in group C, i.e. loans at reduced interest rates and tax deferrals, are an important form of aid only in Denmark, France and Luxembourg. Member States generally avoid this form of aid because it puts a heavy burden on the budget. It has to be recalled that the figures for soft loans represent the aid element of these interventions; the gross budgetary resources necessary for these aids are much higher. This explains the low share in industry aid of this aid form in the Community.
Tax deferrals, mainly accelerated depreciation and the constitution of tax free reserves, is the form which is the least used in the Community. As a matter of fact, only the United Kingdom, France and Germany resort to this form of intervention.

20. Guarantees are registered in this Survey as group D. This form of aid is mainly used to support trade and export, to help in rescue operations and to foster the development of small and medium enterprises. Although its share in industry aid is the second smallest on Community level, it is a significant part of aid in France, Greece and Belgium. It has to be noted that the calculation of the aid element contained in this form of state intervention is particularly difficult and that, therefore, guarantees are, together with the above mentioned equity participations, a very intransparent form of state aid.

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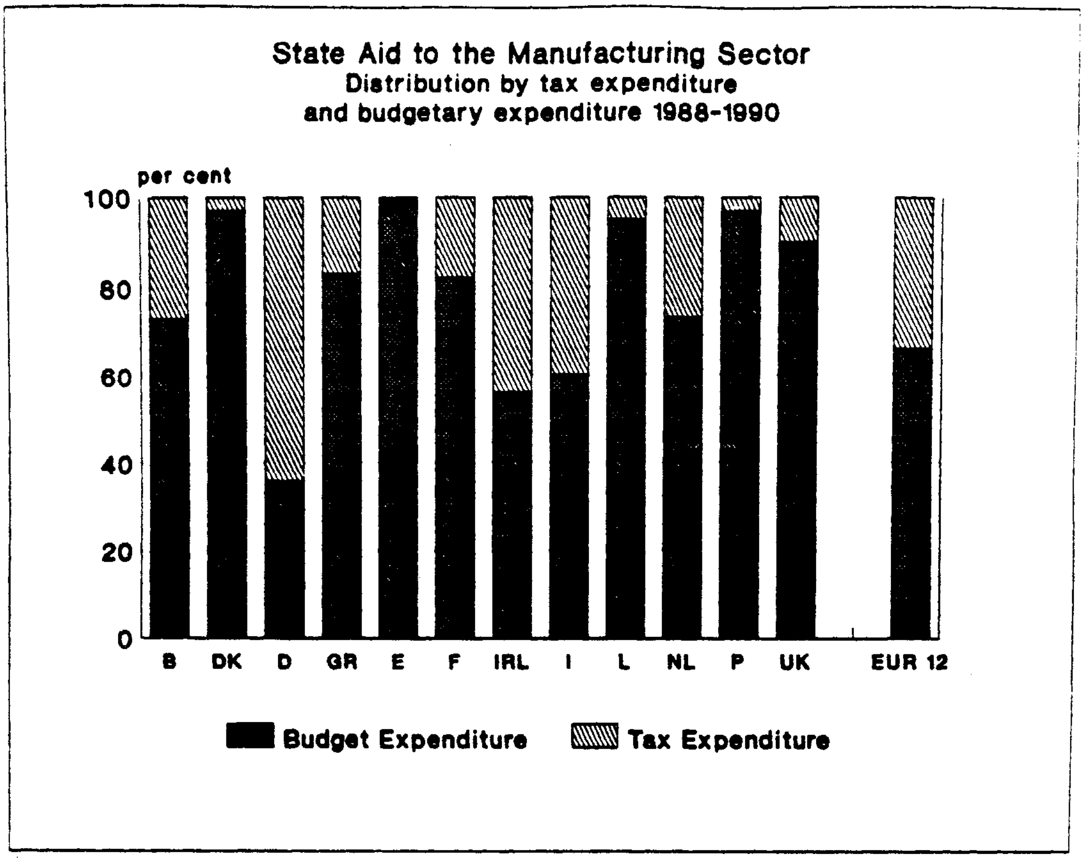
(12) Commission communication to the Member States : Application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector, in : O.J. No C 270 of 18.10.1991, pp.2

Diagram II



21. Diagram II gives a breakdown of industry aid according to the mode of financing. Budgetary expenditure, which is composed of grants, soft loans, equity participations and guarantees, is the preferred way of financing aid in the Community. This holds particularly for Spain, where all aid is financed through the budget, Denmark, Portugal, Luxembourg and the United Kingdom. In compensation, tax expenditure, i.e. tax rebates and tax deferrals, is only predominant in Germany and used to a large extent in Ireland and Italy.

Objectives of aid

22. Aids to industry are categorized in this Survey according to the (main) purposes for which they are given :

- Horizontal objectives[13]

  - Innovation/Research and Development
  - Environment
  - Small and medium enterprises
  - Trade/export
  - Economisation of energy
  - other objectives

- Particular sectors[14]

  - shipbuilding
  - other sectors

- Regional objectives

  - Regions falling under Article 92(3)c
  - Regions falling under Article 92(3)a
  - (only for Germany) Berlin/Article 92(2)c aids.

It has to be noted that in drawing up such a scheme of categories, it is in many cases necessary to more or less arbitrarily decide which of the objectives declared by a Member State is to be considered as the primary objective. In some Member States, aid for

(13) Training and employment measures are not given. See annex I, point 15.

(14) This category contains also individual aid cases treated by the Commission.

research and development transits through sector specific programmes, in others aid to particular sectors is limited to small and medium enterprises, etc. Furthermore, primary objectives cannot give a true picture of the final beneficiaries : A very large part of regional aid is in fact paid to small and medium enterprises, aid for innovation goes to particular sectors, and so on.

Consequently, conclusions about changes from one objective to another over time, notably, however, conclusions about differences in objectives between Member States can only be drawn with extreme caution. The following table 6 gives, therefore, the detailed breakdown of aid to industry according to objectives during the period 1988-1990, whereas table 7 indicates the changes over time for the three main objectives pursued by the Member States.

Table 6

State aid to the manufacturing sector 1988-1990
Breakdown of aid according to sector and function

In per cent

SECTORS/FUNCTION	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
Horizontal Objectives	76	59	29	81	28	66	50	30	39	77	17	45	42
Innovation; R+D	13	35	12	1	9	17	4	4	8	35	1	8	10
Environment	0	4	2	0	1	0	0	0	1	2	0	2	1
S.M.E.	25	1	7	10	5	11	8	10	21	31	0	12	10
Trade/Export	14	8	2	22	1	36	38	6	2	1	0	15	11
Economisation of Energy	6	10	3	0	1	1	0	1	0	2	0	0	1
General Investment	12	0	0	10	5	1	0	2	8	4	1	9	3
Other Objectives	6	0	2	37	6	0	0	7	0	0	14	0	5
Particular Sectors	4	38	11	5	67	25	9	15	0	11	78	20	20
Shipbuilding	1	32	3	3	10	4	0	4	0	7	27	7	5
Other Sectors	3	6	8	2	57	21	9	11	0	4	51	13	15
Regional Objectives	21	3	61	15	5*	9	42	55	61	12	5	34	38
Regions under 92(3)c	21	3	9	-	-	5	-	4	61	12	-	25	8
Regions under 92(3)a	-	-	-	15	5	4	42	51	-	-	5	9	30
Berlin/92(2)c			52										
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100

* Subdivision not available

23. It can be seen from the percentages contained in table 6 that most industry aid in the Community is spent on horizontal objectives. Amongst these, support for research, development and innovation[15], trade/export and small and medium enterprises is given priority. Although it is undeniable that aids for such horizontal objectives are in most cases in the Community interest, they present nevertheless the drawback that their impact on competition is often difficult to assess because no or very little information is known on their sectorial and regional repercussions. Notably in their extreme form as general investment schemes, which still accounts for three per cent of industry aid in the Community, these aids are so lacking in specificity that no general judgement can be made and the Commission is bound to examine all major cases of application. With regard to the completion of the Internal Market, the existence of such general schemes is, therefore, more and more difficult to justify.

24. One fifth of industry aid in the Community is spent for particular sectors. Whereas aid levels were particularly high in the steel sector during the period 1981 to 1986, they have now virtually been phased out under the current steel aids code. Only in Spain and Portugal, where steel aids were allowed until 1988 respectively 1990, and to a lesser extend for closures in France, Italy and Greece, is aid still flowing in this sector. The largest single item amongst sector aids is now aid to shipbuilding. The corresponding amounts are explained in point 16 above.

25. Eight out of ten ECU spent for regional objectives in the Community are directed to areas where the conditions of living are particularly low, the so-called Article 92(3)a regions[16]. This aid category contains, however, also the large amount of Berlin/Article 92(2)c aids in Germany. If this special category is taken out, the aid to 92(3)a regions is reduced to less than half of regional aid or only eighteen per cent of total industry aid,

(15) For the reasons explained in annex I, point 11.1, the R&D figures contained in table 6 are certainly underestimated.

(16) A list of these regions is given in annex I, point 9.2.

which is less than the amounts spent for sectorial purposes. The Commission's priority for cohesion is apparently not yet sufficiently reflected in national state aid policy.

26. The situation in each Member State as regards the overall composition of aid to manufacturing is as follows :

- In Belgium, horizontal aids form the bulk of spending (76% of total) which is far above Community average. They are mainly directed towards SMEs, trade/export, R&D and general investment. Some of the spending going to "other objectives" are the capital injections made by regional investment bodies. Further work is necessary to reclassify it into a more specific category. Sector specific aids (4%) are very low whilst regional aids (21%) are relatively high for a geographically compact Member State without any 92(3)a regions.

- In Denmark, the larger part of the aids are horizontal (59%); they are composed essentially of R&D aids and aids for the economization of energy. The sector specific aids (38%) are almost exclusively aids to shipbuilding. Regional policy (3% of a very low overall total) is not significant.

- In Germany(17), horizontal aids account for 29 per cent, which is low compared to the Community average. Two thirds of these aids are spent on research and for SMEs. Sector specific aid (11%) is also low and goes mainly to shipbuilding. The most important item are regional aids (61%), the overwhelming part of which consists of Berlin/92(2)c aids. As a matter of fact, this category of regional aid - which is caused by the peculiar situation of the divided Germany - accounts for more than half of all aid to industry.

(17) In its borders before 3.10.1990, i.e. for the year 1990 without the aids awarded to the former GDR and later new Länder.

- Greece - the figures are considered too unreliable for detailed comments.

- In Spain, 67% of aid - more than three times the Community average - is sector specific. Half of this amount was spent in the steel sector in 1988. In the other sectors the vast bulk have been large rescue/individual case interventions to restructure industry. Regional aid (5%) is very low.

- In France, two thirds of industry aid has horizontal objectives (66%). Outstanding items are trade/export, R&D and SMEs. An important volume of aid is directed to specific sectors (25%), although in certain cases to R&D in particular sectors or in the form of parafiscal levies(18). Regional policy (9%) is not very significant.

- In Ireland, two items form the bulk of spending : regional aids (42%) and export sales relief (38% - which will in fact be phased out by 1990). Sector specific aids (9%) are the only other item worthy of note; they are principally directed to tourism and related industries.

- In Italy, horizontal aids (30%) are mainly given to SMEs. The most important aid category are regional aids (55%). Almost all regional aid goes into the 92(3)a regions of the Mezzogiorno. Because of the relatively large overall volume of aid in Italy, this is, in absolute terms, the biggest volume of aid devoted to this objective in the Community. Sectoral aids (15%) are less important in Italy and go in roughly equal parts to steel, shipbuilding and other sectors.

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(18) Parafiscal levies are taxes specific to a sector which are used to finance certain operations in that sector.

- In the Netherlands, horizontal aids (77%) are by far the biggest item and considerably bigger than the Community average. Within horizontal aids, R&D and SMEs absorb almost all aids. Aid to particular sectors (11%) is for the largest part destined to shipbuilding. Regional aids (12%) are relatively important for a geographically compact Member State without any 92(3)a regions.

- In Portugal, most of the aids are spent for sector specific interventions (78%). Their part in industry aid is almost four times higher than on average in the Community. They go essentially to steel, shipbuilding and tourism related industries. Aid for horizontal objectives (17%) is almost exclusively absorbed by "other objectives". These aids are mostly cofinanced by the Commission and are more akin to the regional aids given in 92(3)a regions because the whole territory of Portugal, like in Ireland and Greece, is considered by the Commission as constituting a 92(3)a region.

- In the United Kingdom, horizontal aids (45%) form the biggest group of support of which aids to trade/export and SMEs are the main items. Sectoral aid (20%) is mainly awarded to shipbuilding. Regional aids (34%) are for the largest part spent in Article 92(3)c regions. This category is in fact the biggest single item of industry aid in the UK. The rest of regional aid is spent in Northern Ireland which is a 92(3)a region.

27. As regards the development over time of the distribution of industry aid amongst the different main objectives, it can be seen from table 7 that at Community level aid for horizontal objectives and, even stronger, regional aid have been increased at the expense of sector specific interventions.

<u>Table 7</u>
State aid to the manufacturing sector 1988-1990
and 1986-1988 (in brackets)
Breakdown to main objectives — in per cent

	Horizontal Objectives		Particular sectors		Regional objectives	
	(1986-88)	1988-90	(1986-88)	1988-90	(1986-88)	1988-90
Belgium	(70)	76	(11)	4	(20)	21
Denmark	(71)	59	(24)	38	(6)	3
Germany	(35)	29	(7)	11	(58)	61
Greece	(84)	81	(3)	5	(13)	15
Spain	(13)	28	(85)	67	(1)	5
France	(55)	66	(37)	25	(8)	9
Ireland	(48)	50	(12)	9	(40)	42
Italy	(33)	30	(14)	15	(53)	55
Luxembourg	(46)	39	(1)	0	(54)	61
Netherlands	(75)	77	(10)	11	(15)	12
Portugal	(23)	17	(43)	78	(34)	5
United Kingdom	(35)	45	(31)	20	(33)	34
EUR 12	(40)	42	(26)	20	(34)	38

The increase in regional aid is to be attributed mainly to an increase in 92(3)a aid. Thus, even if the share in industry aid of this aid category is still lower than what could be expected, in view of the will of the Community to foster cohesion, the depicted development over time aims at an improvement of this situation. The Commission will have to pay attention that this positive tendency within regional aid is not offset by a unjustified increase of aid for 92(3)c regions in the more central Member States.

The shift from sectoral interventions to horizontal objectives has, under competition aspects, also to be interpreted in a positive way. Of course, aid schemes under both categories can be employed for more or less hidden and unwanted purposes of industrial policy (support of single companies as national champions or protection of whole branches which are allegedly of vital national interest) and have, in such cases, particularly disastrous effects on competition. However, horizontal aids given to all sectors of the economy are, with the exception of the above mentioned general investment aids, less suitable for the distortive protection of branches than sector specific interventions.

The Commission is, therefore, accepting more easily such horizontal aids - like support to SMEs or for research or economization of energy - and is, as the internal market nears completion, more and more reluctant to accept sectoral interventions. The observed shift away from sector specific interventions to an increased use of horizontal aids could be seen as a confirmation of this Commission policy.

PART II - OVERALL NATIONAL AID IN THE MEMBER STATES

Aid to other sectors than industry

28. The following gives an overview of aid granted outside the manufacturing sector, i.e. in agriculture, fisheries, transport and coal mining. The totality of aid awarded in these five sectors constitutes, on the basis of the available data, the overall aid to the economies of the Member States.

Aid to agriculture

29. In sectors such as agriculture where a Community policy is in operation, the limits for granting national state aids are to a large extent determined by this common policy. In these sectors competition policy cannot be seen separately from this common policy. This link between the two policies should be taken into account in interpreting the figures given in tables 8 and 9, which show two different ways of quantifying aids to agriculture.

The figures in table 8 cover national state aids for all products covered by Annex II of the Treaty, i.e. crops and livestock as well as the primary processing of these products. The figures in table 9 are taken from Eurostat : Economic Accounts for Agriculture 1984-89 and bring together both national aids and Community interventions which are granted to crops and livestock. Not included are the interventions linked to the other aspects of the common agricultural policy (price support, processing, marketing). Therefore, table 9 only shows aids paid directly to producers.

Table 8

National aids to agricultural products* in per cent of gross value added 1988-1990 and 1986-1988 (in brackets) per cent

	(1986 - 1988)	1988 - 1990
Belgium	(8.0)	8.5
Denmark	(7.6)	8.1
Germany**	(20.3)	20.0
Greece	(2.6)	3.2
Spain	(1.5)	1.3
France	(9.3)	9.0
Ireland	(6.8)	4.4
Italy	(12.9)	12.9
Luxembourg	(16.4)	15.5
Netherlands	(7.2)	6.4
Portugal	(10.8)	10.1
United Kingdom	(8.9)	8.6
EUR 12	(10.0)	9.6

* May include some EAGGF - guidance money for Member States but not such as to alter the order of magnitude.

** German agriculture aid figures include aid given by way of VAT advantages.

Table 9

National aids and Community interventions paid directly to agricultural production in per cent of value added in agriculture 1988-1990 and 1986 - 1988 (in brackets)

per cent

	(1986 - 1988)	1988 - 1990
Belgium	(5.7)	5.9
Denmark	(2.7)	2.1
Germany	(19.8)	20.3
Greece	(8.7)	10.3
Spain	(4.5)	7.0
France	(6.3)	6.0
Ireland	(11.0)	10.9
Italy	(9.7)	12.9
Luxembourg	(8.3)	10.7
Netherlands	(2.0)	2.7
Portugal	(6.3)	11.9
United Kingdom	(10.5)	11.0
EUR 12	(8.7)	9.9

Source : Eurostat, Economic Accounts for Agriculture 1984-89

The upward or downward trends in expenditure are different according to whether only national aids or national and Community aids are considered. The same is also true if one considers aids granted to all products in Annex II of the Treaty or only those aids paid directly to farmers. The ranking of Member States according to the importance of aids paid also differs according to which aids are taken. This is due particularly to the mix of agricultural products in each Member State and the support measures linked to these products. All national aids and Community interventions in favour of agricultural products have a cross-effect on the agricultural sector and care should be taken in drawing conclusions about the real impact on competition of national aids alone.

It should be stressed that the data in neither of these tables shows the total level of support granted to agriculture in the Community. Assessment of this total would have to take account not only of the payments made directly to farmers (as table 9) but also all other relevant components of a budgetary as well as non-budgetary nature. Only a limited part of this total is accounted for by the payments referred to in this document. It is noteworthy that the efforts within the Community to make agricultural policy more market-oriented has, over the period 1988-1990, involved an increase in the relative importance of direct payments to farmers within a total level of support that has contracted since the earlier part of the decade. However, the purpose of this Survey is not to examine the total level of support to agriculture or its change over time.

Aid to fisheries

30. In the fisheries sector, national aids follow closely the development of and the limits imposed by the Common Fisheries Policy (CFP) thereby contributing to the accomplishment of common objectives. Any conclusion to be drawn from the quantification of national aids has, therefore, not only to take account of their impact on competition but also of their impact on attaining the common aim.

The aids in the fisheries sector are quantified in the following tables 10 and 11, which show the majority of Community intervention and national aids in favour of the Community's fishing fleet, the commercialisation and first-stage processing of the products.

Table 10

Aids to fisheries in per cent of gross value added* in this sector, calculated on the basis of quantities landed and average prices 1988 - 1990 and 1986 - 1988 (in brackets)

	(1986 - 1988)	1988 - 1990
Belgium	(1.2)	1.6
Denmark	(2.6)	3.1
Germany	(17.2)	13.6
Greece	(1.4)	0.6
Spain	(2.9)	3.4
France	(2.7)	2.7
Ireland	(10.8)	10.0
Italy	(6.8)	6.5
Luxembourg	-	-
Netherlands	(0.6)	0.6
Portugal	(1.4)	1.1
United Kingdom	(5.3)	3.7
EUR 12	(3.9)	3.7

* Value added figures used exclude transformation industry and the on-shore productions.

Table 11

Community interventions in the fisheries sector in the framework of the common organisation of the market and structural policy 1986–1990. Annual amounts in Million ECU

in million ECU

EUR 12	1986	1987	1988	1989	1990
Guarantee	18.0	17.4	46.9	24.0	23.6
Orientation	104.6	115.4	100.4	169.9	98.6

Aid to transport (railways and inland waterways)

31. Table 12 shows aid to railways and inland waterways as a percentage of value added in these sectors. Whilst most aid is given to compensate for the imposition of social obligations or inherited liabilities on railways (Regulations 1191/69 and 1192/69) aid in per cent of value added remains extremely high, although on the whole aid levels have continued to decrease. Aid is particularly high in Luxembourg and Belgium, while relatively few aid is granted in Portugal, Italy, Greece, the United Kingdom and in the Netherlands.

Table 12

State aid to transport (Railways and inland waterways)
in per cent of gross value added in railways** 1988-1990
and 1986-1988 (in brackets)

per cent

	(1986 - 1988)		1988 - 1990	
	total aid	of which: Regulat. 1191/2-69	total aid	of which: Regulat. 1191/2-69
Belgium	(68.1)	(19.6)	54.8	20.2
Denmark	(13.9)	(5.2)	14.8	5.1
Germany	(31.5)	(9.6)	28.7	8.9
Greece*	(4.9)	(0.2)	6.4	0.2
Spain	(28.6)	(2.1)	26.3	1.2
France	(28.8)	(8.3)	25.2	4.9
Ireland*	(18.3)	(5.0)	14.6	2.7
Italy	(7.9)	(1.2)	6.9	1.2
Luxembourg***	(168.7)	(58.9)	160.1	51.2
Netherlands*	(5.9)	(2.7)	5.7	2.6
Portugal	(12.2)	(4.6)	8.4	3.1
United Kingdom	(9.4)	(2.9)	5.9	2.9
EUR 12	(14.4)	(3.5)	12.4	2.9

* Aid figures expressed as percentage of value added in whole transport sector as no separate figures are available for railways.

** Gross value added was not available for all years. Lacking data were estimated.

***A very considerable part of the expenditure under Regulation 1192/69 in this Member State is for retirements

Aid to coal mining

32. Table 13 gives aid to coal mining expressed in ECU per person employed in coal mining and the share of total aid paid to current production. Aid per person employed shows a high and, compared with the previous period, increasing level of aid in all coal producing Member States. The level of support is particularly high in Belgium, in France and - to a less extent - in Germany.

It is, however, somewhat dangerous to conclude on potential distortions of competition from a simple comparison of aid per employee. In the first place much aid is for social/redundancy costs. A look at column four of table 13, which shows the share of total aid going to current production, changes the picture considerably. It is now Belgium and France - the Member States with the highest per head values - that have the lowest and strongly declining share of aid going to current production. This opposite movement of the two indicators is obviously the consequence of sustained restructuring in coal mining in these two countries. Secondly, some Member States (Germany and Spain) apply a coal reference price system which keeps domestic prices net of subsidies considerably above world market prices. Although such a measure has an effect equivalent to an aid, it cannot be reflected by the usual indicators which are shown in table 13. Therefore, the figures should be taken as an overview and not an accurate indicator of the protection afforded by aids.

Table 13

State aid to the coal mining sector in ECU per person employed and aid to current production in per cent of total aid 1988 - 1990 and 1986 - 1988 (in brackets)

	(1986 -1988)		1988 - 1990	
	in ECU p. person employed	aid to current product.	in ECU p. person employed	aid to current product.
Belgium	(112126)	(24)	252412	14
Germany	(47006)	(52)	60219	52
Spain	(21882)	(40)	27517	44
France	(74538)	(16)	108349	7
Portugal	(2799)	(92)	4117	100
United Kingdom	(12180)	(33)	40071	68

33. For both railways and coal the observed aid amounts are high. Whilst there may be only limited competition between coal industries, the impact of these aids on the wider markets in transport and energy cannot be ignored. As these markets become integrated with the completion of the common market, competition is becoming increasingly important. The declared will of the Community to open up the transport and the energy markets render a strict aid control policy of the Commission in these sectors more and more important. The Survey will have to contain in future data on other forms of transport than railways and inland waterways and other forms of energy than coal in order to provide a basis for the full assessment of the impact of aids in these sectors. For energy, this assessment will take account of the Commission's document "Completion of the Internal Market in Energy"; in the transport sector, however, the assessment of distortions of inter-modal competition is made more difficult by the question of imputing infrastructure, environmental and policing costs.

Volume of overall aid in the Community

34. The volume of state aid in the Community given in the sectors covered by this report amounts on average over the period 1988-1990 to yearly 89 milliards ECU.

As can be seen from table 14, this constitutes a decrease of aid expenditure when compared with the previous period.

Table 14

Overall national aid 1988-1990 and 1986-1988 (in brackets)

Mio ECU

Overall national aid	
(1986-1988)	1988-1990
(92342)	89344

35. For a meaningful comparison between Member States, total aid expenditure is shown in the following table 15 as a percentage of gross domestic product, per person employed and relative to total government expenditure.

If aid is expressed relative to GDP, the highest aid levels are to be found in Luxembourg, Greece and Italy. Setting Greece aside because of the still very unreliable aid figures for that country and taking into account that the high aid value in Luxembourg is a result of the extremely large financial support for railways in this Member State, the figures show that aid levels are the highest in

Table 15

Overall state aids in the Member States 1988-1990 and 1986-1988(in brackets) in per cent of GDP, per person employed and relative to government expediture

	In per cent of GDP		In ECU per person employed		In per cent of total Government Expenditure	
	(1986-1988)	1988-1990	(1986-1988)	1988-1990	(1986-1988)	1988-1990
Belgium	(3.2)	2.8	(1153)	1040	(6.0)	5.4
Denmark	(1.0)	1.1	(385)	409	(1.8)	1.9
Germany	(2.5)	2.4	(964)	971	(5.3)	5.2
Greece	(4.5)	3.1	(640)	387	(9.2)	6.0
Spain	(2.7)	1.8	(668)	480	(6.5)	4.2
France	(2.0)	1.8	(779)	735	(4.0)	3.7
Ireland	(2.7)	2.0	(703)	564	(5.2)	4.5
Italy	(3.1)	2.9	(1016)	982	(6.2)	5.6
Luxembourg	(4.0)	4.0	(1390)	1389	(7.4)	7.6
Netherlands	(1.3)	1.3	(513)	528	(2.1)	2.2
Portugal	(1.5)	2.2	(167)	245	(3.4)	5.0
United Kingdom	(1.1)	1.1	(300)	312	(2.6)	2.9
EUR 12	(2.2)	2.0	(728)	667	(4.6)	4.3

Italy, Belgium, Germany and Portugal. These countries are all situated above Community average. The fact that Germany, which belongs to the Member States with the lowest aid levels in industry, ranks now so much higher, is due to the important support of the German coal mining sector. As a matter of fact, every third ECU spent on overall aids in this country is absorbed by the mining sector.

With the exception of Portugal, all these countries have reduced their aid levels compared to the previous period.

Equally reduced have been the aids in Ireland, France and Spain, which form a group of Member States where aid levels are below, but still relatively close to the Community average. The least aid is given, in descending order, in the Netherlands, Denmark and finally the United Kingdom, where the overall aid level is only half the Community average.

36. In terms of <u>aid per person employed</u>, the above described picture of the situation within the Community undergoes some slight modifications. The group of Member States with indicated high aid levels, to which invariably belong Luxembourg, Belgium, Italy and Germany, is now joined by France, although already with a certain distance, whereas Greece and Portugal, undoubtlessly because of the still relatively low productivity in these countries, rank now amongst the lowest aid givers. The group of Member States with less than but still close to Community average aid levels is now constituted by Ireland and the Netherlands and the least aid is awarded in Spain, Denmark, Greece, the United Kingdom and, at the bottom, Portugal.

    The fact that Member States like Portugal, Spain, Greece and Ireland give less aid per person employed than at Community average and much less than the high aid countries Luxembourg, Belgium, Italy, Germany and France, sheds a cloud over the progress which the Community until now has achieved in matters of cohesion.

37. If aid levels are expressed in <u>aid as a proportion of public expenditure</u>, the situation in the different Member States described so far is more or less confirmed. Countries with high aid levels relative to GDP like Luxembourg, Greece, Italy, Belgium, Germany and Portugal have also to carry a relatively high budgetary burden and low aid countries like the Netherlands, Denmark and the United Kingdom devote only a small share of their expenditures to these interventions.

<u>Budgetary impact of aids</u>

38. It is, furthermore, interesting to note that countries with high overall aid levels like Italy, Belgium and Portugal - Luxembourg and

Greece were left aside for the reasons already mentioned - not only have to carry a high burden in terms of public expenditure but appear also amongst the Member States with the largest budget deficits. This is aggravated by the fact that these countries also suffer from large public debts.
In Italy, the financing of state aid accounts for 28 per cent of the very high budget deficit amounting to almost 11 per cent of GDP in 1988-90. Compared to the previous period, there has only been a very marginal decrease in the budget deficit and no change in the share of the deficit necessary for financing the aid. In Belgium, where particular efforts to reduce the budget deficit resulted in its decline from close to eight per cent of GDP in 1986-88 to less than seven per cent in 1988-90, the financing of the overall aid amount still accounts for 44 per cent of the deficit. In the previous period aid accounted for 42 per cent; so the relative burden of financing state aid is actually increasing. Over the two periods under review, Portugal succeeded in reducing its budget deficit from seven to five per cent of GDP, but the considerable increase in total aid awarded over this period is reflected in a steep rise in the share of aid financing in the budget deficit. It rose from 23 to 45 per cent.

In these Member States in particular, a strict national aid policy, going beyond the constraints which the Commission imposes under competition aspects, would certainly help to overcome the considerably large and chronic budget deficits from which these countries suffer and would thus contribute to reducing their public debts. This, in turn, is a macro-economic necessity for their preparation to join the economic and monetary union.

39. An overview of the aid expenditure in the four main sectors - agriculture and fisheries, manufacturing, transport and coal - is given in table 16 and diagram III.

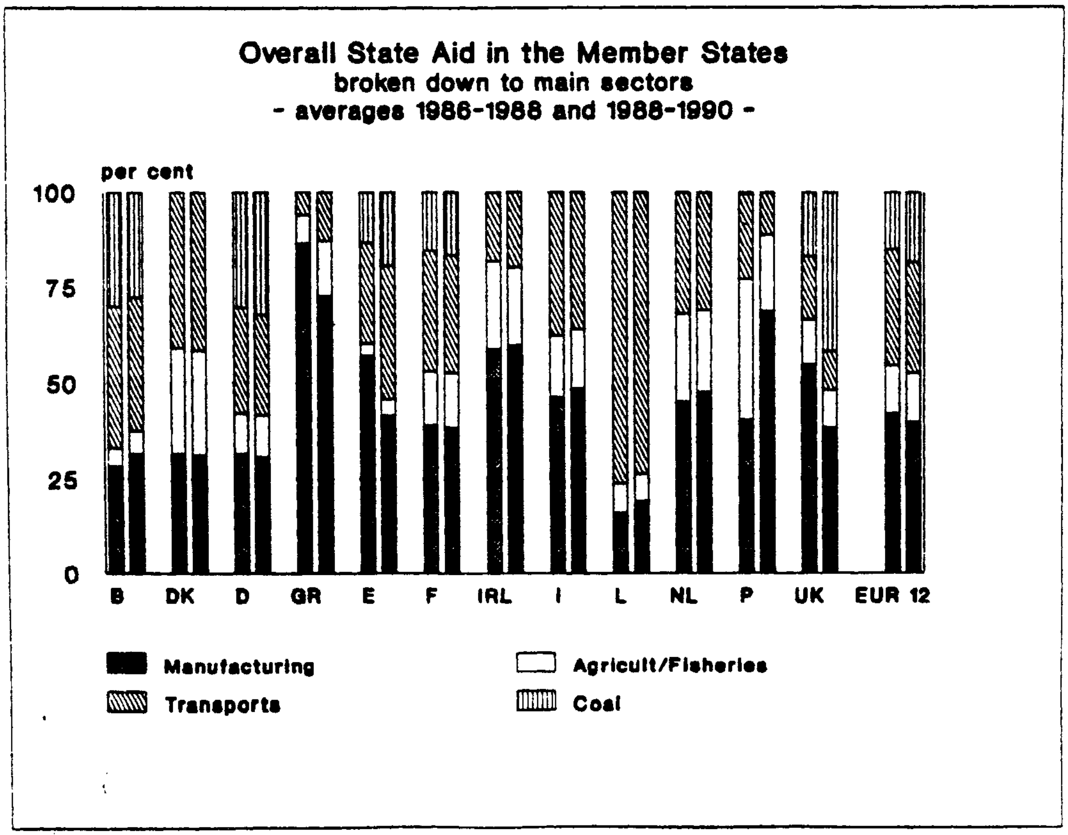
TABLE 16
Overall State Aid in the Member States 1988-1990 and 1986-1988 (in brackets) broken down into main sectors

In per cent

	Agriculture and Fisheries		Manufacturing		Transport		Coal		TOTAL
	(1986 - 88)	1988 - 90	(1986 - 88)	1988 - 90	(1986 - 88)	1988 - 90	(1986 - 88)	1988 - 90	1986/88/90
Belgium	(5)	6	(28)	32	(37)	35	(30)	28	100
Denmark	(28)	27	(31)	31	(41)	42	(0)	0	100
Germany	(10)	11	(32)	31	(28)	26	(30)	32	100
Greece	(8)	14	(86)	73	(6)	13	(0)	0	100
Spain	(3)	4	(57)	42	(26)	35	(14)	19	100
France	(14)	14	(39)	38	(32)	31	(15)	17	100
Ireland	(23)	20	(59)	60	(18)	20	(0)	0	100
Italy	(16)	15	(46)	49	(38)	36	(0)	0	100
Luxembourg	(8)	7	(16)	19	(76)	74	(0)	0	100
Netherlands	(23)	21	(45)	48	(32)	31	(0)	0	100
Portugal	(36)	20	(41)	68	(22)	11	(1)	1	100
United Kingdom	(11)	10	(55)	38	(17)	10	(17)	42	100
EUR 12	(12)	13	(42)	40	(30)	29	(16)	18	100

The figures show the already mentioned high level of aid in the transport sector in Luxembourg and the large amounts of aid spent in the mining sector in Belgium, Germany and in the United Kingdom, where the figure reflects a major non-recurring financial reconstruction of this sector undertaken in 1990.
Whereas the relative importance of aid to manufacturing slightly declined at Community level, and, to a larger degree, in the United Kingdom, Spain, Greece, Germany, France and Denmark, opposite trends can be observed in Portugal, Belgium, Luxembourg, Ireland, Italy and the Netherlands.

Diagram III



41. As concerns the differences in overall aid tendencies between Member States, the figures allow the conclusion that the reduction of state aids observed at Community level, when comparing the two periods under review, is a result of reductions in those Member States which show high aid levels. This declining tendency is not confirmed in Member States with average or low aid levels where the different indicators used show opposite developments or where, like in Denmark or the United Kingdom, slight increases in support are registered. In general, the differences in aid award between the Member States remain significant.

CONCLUSIONS

42. With the presentation of this Third Survey on State Aids, the Commission continues its efforts to increase transparency in the field of public support to the economy. The document contains a detailed analysis of the volumes of national aid, broken down into the different forms and the various objectives pursued by Member States. The collected and analyzed data serves the Commission, in making available a sound statistical basis, to continue improving its State Aid policy. The Survey serves, furthermore, the Community in the larger context of the European Economic Area and the GATT since it reflects, in a coherent and transparent way, the determined will of the Community to eliminate distorting aids that are incompatible with the internal market and to reduce overall aid levels. It, thus, underlines the Community's commitment to a free world market.

43. As concerns aid to industry, the figures available allow the general conclusion that, on Community level, aid is declining over the five years 1986-1990. However, the still massive amount - almost 36 milliards ECU were annually spent on industry aids in the years 1988-1990 - together with a slight upward swing observed in the last year under review, induces the Commission to carefully monitor the future development in this sector in order not to jeopardize the globally good results which have been achieved through its State Aid control policy in recent years.

The global reduction of aid to industry is the result of reductions in the majority of the Members States. An opposite development is only observed in three smaller countries. However, the disparities between the different countries in the award of aid to industry are remaining important.

The fact that the relative weight in support to industry of the four largest Member States is increasing to the detriment of the peripheral countries, has to be taken as a serious threat to cohesion. The Commission will, therefore, have to continue strenghtening its State Aid policy in order to prevent the negative effects of this trend on competition and on economic convergence. The Commission will, thus, contribute with its State Aid policy to greater cohesion in the Community.

State Aids to industry are preferably awarded in the form of budgetary expenditure. Tax expenditure is only prevalent in one Member State.

As to the objectives pursued with industry aid, a shift away from sector specific interventions to more horizontal and regional support can be observed. In terms of broader Community objectives, this is a welcome trend. This movement confirms the Commission's State Aid policy which is increasingly hostile to support for specific sectors and more inclined to accept horizontal and regional aid which is not limited to certain branches of the economy.

44. As concerns overall national aid to the economy, the figures confirm the conclusion of the previous Surveys that the volume of aid in the Community, even if it is declining, is still massive. As a matter of fact, in 1988-1990, Member States spent on average more than 89 milliards ECU annually for state aid purposes. In view of the sheer volume of this amount the Commission will continue to strengthen its State Aid control policy and to take account of the negative impact which this volume of state intervention exerts on competition in the Community and the ensuing danger for the completion of the Internal Market. It should not be forgotten in this context that Article 92(1) EEC-Treaty, which is the basis of the Commission's State Aide policy, contains a general ban on aid and that state aids are only approved where one of the derogations set out in Article 92 applies. The Commission approves aid for many purposes where these are deemed to be in the common interest. Examples of such aid include regional, R&D and SME aid.

The welcome reduction of the - still too high - overall amount of aid observed at Community level results from reductions of national support in Member States with high aid levels which overcompensate increases in low aid countries. Despite those reductions, the disparities between the Member States continue to be important.

On the level of Member States, it can be observed that the four peripheral and weaker countries give less aid per person employed than on Community average and considerably less than the better-off and more central Member States. This is a further sign that the Commission's declared aim of cohesion is not yet sufficiently reflected in national aid policies. The Commission will, therefore, in the field of State aid control continue to increase its efforts towards more cohesion.

TECHNICAL ANNEX

The purpose of this annex is to outline the methodologies and sources used in drawing up this Survey of State Aids, notably with regards to :

I. Scope of the study
   Fields excluded

II. Categories, forms and objectives of aid

III. Nature of the data, sources and methods of assessing the aid element

IV. Specific problems

- Research and Development (R & D)
- Transport in Luxembourg
- Agriculture and fisheries
- Tourism; Agrifoodstuff

Scope of the Study
Fields excluded

1. This Technical Annex explains the methodological background and the statistical technique used. It is an update of the technical annex used for the First and Second Survey.

The Survey focuses on State aids to undertakings falling within the scope of Article 92 and 93 EEC Treaty. Accordingly, general measures (which, if they distort competition, would be dealt with under Article 101 of the EEC Treaty) are not included in the figures.

2. The following measures or areas are not dealt with :

2.1. Aid whose recipients are not directly undertakings

- Aid to households
- Aid to the handicapped
- Aid for infrastructure (ports, airports, roads, etc.)
- Aid for university institutes
- Aid for public vocational training centers
- Aid to developing countries(1)

2.2. General measures and other measures

- Differences between the various tax systems and general social security systems in Member States (depreciation, social security deficit, etc.)
- Customs duties, quotas, public procurement, market restrictions, technical standards
- Specific tax schemes (cooperatives, owner enterprises, self-employed, etc.)(2)
- General reduction in VAT (for example, foodstuffs in the United Kingdom, certain products in the French overseas Departments)(3)

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(1) Aid for exports outside the Community have been included in the study since their harmonization under Article 112 does not exclude the application of Articles 92 and 93 EEC Treaty.

(2) However, a lower-than-the-standard rate of corporation tax for small businesses constitutes and aid and has been included (eg. Germany).

(3) Specific reductions such as the reduction of the VAT for all products manufactured in Berlin have been included. In contrast, all goods (regardless of origin) sold in the DOM pay a lower rate of VAT. This has not been included as an aid.

2.3. <u>Aid granted by supranational and multinational organizations</u>

- Community aid (ERDF, EAGGF, etc.). The corresponding amounts are, however, given in annex III for information
- Aid to the European Space Agency

2.4. <u>Individual types of aid</u>

- Defence (see point 11.2 of this annex)
- Aid to energy, except coal (see points 10.2 and 11)
- Aid to transport, except railways and inland waterways (see point 10.2)
- Training and unemployment measures (see point 15)
- Press and media
- Banks and credit institutions (e.g. reserves, schemes for mortgage lending companies)
- Buildings and public works
- Public utilities : gas, water, electricity, post, telecommunications : (tariff structure and financing)
- Aid for cultural and leisure activities

II. Categories, forms and objectives of aid

3. Categories of aid

All aid represents a cost or a loss of revenue to the public authorities and a benefit to recipients. However, the "aid element", ie. the ultimate financial benefit contained in the nominal amount transferred, depends to a large extent on the form in which the aid is provided. Aid should therefore be subdivided in accordance with the form in which it is provided. Four categories have been identified for this purpose. Each category is represented by a letter : A, B, C, or D followed by the number 1 or 2, meaning respectively budgetary aid (ie. aid provided through the central government budget) or tax relief (ie. aid granted via the tax system), plus an A if the aid element is known; for example, C1A means that what is being referred to is the aid element (A) of a soft loan (C1).

4. Group A (A1 + A2)

4.1. The first category (A) concerns aid which is transferred in full to the recipient. In other words, the aid element is equal to the capital value of the aid. This first category has been subdivided into two groups depending on whether the aid was granted through the budget (A1) or through the tax or social security system (A2).

4.2. List of aid coming under categories A1 and A2

- Grants
- Interest subsidies received directly by the recipient
- General research and development schemes (see point 11)
- Tax credits and other tax measures, where the benefit is not dependent on having a tax liability (ie. if the tax credit exceeds the tax due, the excess amount is repaid)
- tax allowances, exemptions and rate reliefs where the benefit is dependent on having a tax liability
- Reduction in social security contributions

5. Group B1

5.1. It is necessary to determine whether a financial transfer by the public authorities in the form of equity participation is an aid to the recipient or a matter of the public sector engaging in a commercial activity and operating like a private investor under normal market conditions. Consequently, although equity participations, in their various forms, could have been included in the first category, they have been grouped together under a separate category (B1). An estimate of the aid element contained in such equity participations is set out in category B1A.

5.2. List of aid coming under category B1

- Equity participation in whatever form (including debt conversion)

6. Group C (C1 + C2)

6.1. The third category (C) covers transfers in which the aid element is the interest saved by the recipient during the period for which the capital transferred is at his disposal. The financial transfer takes the form of a soft loan (C1) or tax deferral (C2). The aid elements in this category are much lower than the capital values of the aid.

6.2. List of aid coming under categories C1 or C2

- Soft loans (new loans granted) whether from public or private sources. (The transfer of interest subsidies is categorized under A1)
- Participatory loans from public or private sources
- Advances repayable in the event of success
- Deferred tax provisions (reserves, free or accelerated depreciation, etc)

7. Group D1

7.1. The last category (D1) covers guarantees, expressed in nominal amounts. The aid elements are normally much lower than the nominal amounts, since they correspond to the benefit which the recipient receives free of charge or at lower than market rate if a premium is paid to cover the risk. However, if losses are incurred under the guarantee scheme, the total loss, net of any premiums paid, is included under D1A, since it can be considered as a definitive transfer to the recipient. The nominal amounts of these guarantees are shown under D1 to give an indication of the contingent liability.

7.2. List of aid coming under category D1

- Amounts covered under guarantee schemes (D1)
- Losses arising from guarantee schemes, net of premiums paid (D1A)

8. For information on the calculation of the aid element contained in the different forms of assistance, see point 10.6.

9. Objectives of aid

9.1. The aid schemes have been broken down into 19 headings according to their sectorial or functional objectives :

1.1.	Agriculture	
1.2.	Fisheries	
2.	Industry/Services	
2.1.	(Horizontal objectives)	
2.1.1.	Innovation and Research and Development	
2.1.2.	Environment	
2.1.3.	Small and Medium Enterprises	
2.1.4.	Trade/Export	
2.1.5.	Economisation of Energy	
2.1.6.	General investment	
2.1.7.	Combat unemployment	)see point 15 of this annex
2.1.8.	Training Aid	)
2.1.9.	Other objectives	
2.	Industry/Services	
2.2.	(particular sectors)	
2.2.1.	Steel	
2.2.2.	Shipbuilding	
2.2.3.	Transport	
2.2.4.1.	Coal (Current Production)	
2.2.4.2.	Coal (Other Aid)	
2.2.5.	Other Sectors	
3.	Regional aid	
3.1.	Regions under 92(3)a	
3.2.	Other regions	

The heading "other sectors" covers rescue operations and major individual cases. The subheading 3.1. : "Regional aid in regions eligible under Article 92(3)(a)" contains for Germany "aid under Article 92(2) c".

In the coal sector, a distinction is made depending on whether or not aid is linked to current production (such a link is made by the Commission in its annual communication to the Council on the financial aids in this sector).

9.2. List of regions within the meaning of Article 92(3)(a)[4]

Member State	Regions
Greece Ireland Portugal	))the whole of the country)
France	Overseas departments
Italy	Mezzogiorno
Spain	Extremadura Andalusia Castile-La Mancha Galicia Castile-Leon Murcia Canary Islands Teruel Ceuta-Melilla
United Kingdom	Northern Ireland

(4) OJEC no. C212 of 12.08.1988, pages 2 to 10.

III. Nature of the data, sources and methods of assessing the aid element

10. As general rule, the figures have been expressed in terms of actual expenditure (or actual revenue losses in the case of tax expenditure). Where this was not possible, budget appropriations or the amounts provided for in planning programmes were used after consultation with the Member States concerned. Where figures of this type were not available, the Commission's departments made estimates where this seemed reasonable, on the basis of information provided by the Member States. Where figures for 1990 were not available, the Commission's departments have extrapolated the 1989 figures.

10.1. All the figures have been compiled in national currency and have been converted into ECUs at the annual average rate provided by the Statistical Office of the European Communities.

As concerns the indicators used, the figures on gross domestic product (GDP) are extracted from Eurostat and are GDP at market prices and current exchange rate. The figures on gross value added used in the various ratios are extracted from Eurostat and are gross value added at current market prices and at current exchange rates by branch (agricultural, forestry and fishery products, manufactured products). Intra - CE exportations of industrial products are also extracted from Eurostat and comprise the products categorized under n° 6 and 8 of the CTCI, revision 3. Civilian employment is retained to calculate the various ratios by person employed. Certain tax concessions remain incalculable. When no other information was provided by the Member State to calculate the aid element, one third of the gross intervention has been taken as a proxy of the aid element. These proxies were only made in a few cases and have no significant impact on the results.

10.2. The Commission's departments have provided the figures for their respective sectors in accordance with the following outlines. Not all the figures have been counter-checked by the Member States nor have they been checked against their budgets by the Commission's departments.

<u>For agriculture and fisheries</u> the figures are those submitted by the Member States in accordance with the procedure emanating from the resolution of the Representatives of the Governments of the Member States during the 306th Session of the Council on 20 October 1974, except for :

- Netherlands, where figures are based on long term extrapolations (base 1980)
- Spain, where estimates are based on national accounting data, and
- Italy, where estimates are based on budgetary reports.

In addition, agricultural figures from 1987 onwards were not available for France and Luxembourg, where estimates are based on extrapolations of the 1987 figures. For the other Member States, extrapolations are used for the 1990 figures and additionally for the 1989 figures in Greece, Ireland and Portugal. For fisheries, 1989 and 1990 figures result from extrapolations for France, Ireland and Italy; 1990 figures only for Germany and Spain.

As regards agriculture, with the exceptions mentioned above, the figures are taken from the inventory of agricultural expenditure supplied by the Member States. From the total amount of budgetary expenditure indicated in the inventory, the following have been excluded :

- Research aid (Category 16)
- Land improvement - arterial drainage and sea defense (Category 22)
- Selective regional financial assistance (Category 32).

The figures contain the following : grants, tax reliefs, aid financed by parafiscal charges, interest subsidies and a number of direct benefits provided by the State (for example, training courses). They also contain some of the aid financed by the EAGGF Guidance Section.

The figures for agriculture and fisheries include on the one hand national aids paid as a result of Community legislation (where financing can be either exclusively national or a complement to Community financing, as a result of the application of Regulation (EEC) 797/85 (last amended by Regulation (EEC 760/87) and now codified as Council Regulation 2328/91) and on the other hand national aids falling directly under Article 92 to 94 EEC. Article 92 (1) applies in principle to agriculture (as it does in other sectors) subject to the reserve of the specific arrangements of Article 42 EEC. This is particularly the case for investment aid in agriculture where the Council (Regulation EEC 797/85) fixed the limits of the application of Articles 92 to 94 EEC.
As regards fisheries, loans and guarantees are not included where the aid element is unquantifiable.

For coal the figures are those submitted by the Member States in accordance with Commission Decision Nos. 528/76/ECSC and 2064/86/ECSC and summarized in the Commission's Annual Communication to the Council on aids in this sector[5]. New capital injections which may constitute aid are not included in these figures. Public undertakings' coal-purchasing contracts (for example, for electricity generation) which might comprise an aid element where the price exceeds the world price have not been included. No aid figures for other forms of energy have been included[6]. A study is under way for aids to forms of energy other than coal, in particular for electricity, in the context of the internal energy market.

For transport the figures are those submitted by the Member States in accordance with Regulation No 1107/70 and summarized annually in the Commission's submission to the Consultative Committee on Aids to Transport. These regulations cover particularly railways and navigable waterways. In addition, but shown separately, are the aids given for railways within the framework of Regulations Nos 1191/69 and 1192/69 for respectively the maintenance of public service obligations and the normalization of railways accounts due to special burdens placed on railways.

With regard to other forms of transport, due to lack of information, the aid figures are incomplete and fragmentary and have not been included. No figures in particular have been given for aid to local transport. Possible figures on State aid in the aviation sector will be included as soon as a quantified result of the Commission's inquiry in this sector becomes available. Aid granted to ports against which the Article 93 EEC procedure were initiated (and subsequently closed), has been included.

10.3. Industry

In the case of aid to industry and the service sector, the figures have generally been taken from notifications under Article 93, received from the Member States. Furthermore, implementation reports, submitted to the Commission, national publications on the award of aid, national accounts relating to expenditure, draft budgets, inventories and other available studies have also been used.

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(5) These figures are broken down into aids for current production and those not relating to current production (i.e. special social security measures for miners and aids to cover inherited liabilities).

(6) Aid to promote alternative sources of energy have frequently been included under Economisation of Energy. For nuclear energy, see also point 11.4 of this annex.

10.4. Steel

The figures presented in the study have been compiled from communications submitted by Member States. The figures show the amount of aid paid to undertakings.

10.5. Tax expenditure

With regard to tax expenditure, the OECD concept was used as a starting point.
"A tax expenditure is usually defined as a departure from the generally accepted or benchmark tax structure, which produces a favorable tax treatment of particular types of activities or groups of taxpayers".
Thus, for example, tax reliefs granted to certain development areas i.e. to only a part of the territory of the tax authority, are regarded as tax expenditures, whereas the rate structure is regarded as an integral part of the benchmark tax system.

However, in some cases, such departures from the benchmark system are on the borderline between aid within the meaning of Article 92(1) EEC and general measures. Further work has to be carried out in order to elucidate this "grey area". The figures have been taken from various reports published by certain Member States (Germany, France, Belgium and the United Kingdom). In the light of the problems indicated, it is possible that the present Survey may not yet embrace all aid granted in the form of tax expenditures, notably in the case of countries which do not publish any report on the subject.

10.6. Methods of assessing the aid element

10.6.1. In order to analyse the different forms of aid on a fully comparable basis, it is necessary to reduce them to a common denominator - the grant element - which they contain. To this end the methods currently employed by the Commission in its control of State Aids have been used. These methods are all official Commission policy and have been discussed at a technical level with the Member States. Most of the methods have been published and these publications will be referred to.

10.6.2. The basic approach to evaluating the aid element is the common method of evaluation used in calculating the net grant equivalent of state interventions (for latest update see annex of the Communication of the Commission on regional aid schemes, OJ C 31 of 3.2.1979; see also Resolution of the Council of 20.10.1971, OJ C 111 of 4.11.1971).

Obviously, the receipt of an aid may change the tax liability of some recipients. However, taking account of the allowances and reductions that can be claimed against profits tax and the losses made by certain companies, the effective rate of tax paid in general by companies is much lower than the theoretical maximum rate. Therefore it is considered that the results obtained without taking account of taxation are closer to reality than if the maximum theoretical rate had been employed. The common denominator is therefore grant equivalent and not net grant equivalent. It should be noted that the ranking of Member States (in terms of percentage of GDP, for example) is not affected by the exclusion of the influence of tax.

Method applied to different forms of aid

10.6.3. Group A - grants, relief from social charges, etc.
No calculations of the aid element are necessary because this group comprises all interventions which can be considered as constituting grants or grant equivalents.

10.6.4. Group B - equity (including debt conversion)
In line with established Commission policy, such interventions constitute aid when a private investor operating under normal market conditions would not have undertaken such an investment. See Commission communication 91/C 273/2 of 18.10.91 : Application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector, O.J No C 273 of 18.10.1991, p. 2(7). This method is based on calculating the benefit of the intervention to the recipient.
As regards capital injections to State Holding companies, the overall performance of each company was examined and the aid element taken as the amounts required to cover recurring losses.

10.6.5. Group C - soft loans and deferred tax provisions.
In accordance with the common method of evaluation, benefits accorded to an enterprise over a period of time in the form of soft loans and deferred tax provisions are discounted back to the present. The discount rate is the "reference rate" which represents the rate at which companies can borrow under normal market conditions. The definition of the reference rate in each Member State has been formally adopted by the Commission (see point 14 of the common method of evaluation). The aid element in a soft loan in any one year is, therefore, the difference between the reference rate and the rate at which the State accords the loan multiplied by the value of the loan.

(7) See also "Application of Article 92 and 93 EEC to public authorities' holdings", Bulletin EC9-1984, further "The Measurement of the Aid Element of State Acquisitions of Company Capital" - IV/45/87 - Evolution of Concentration and Competition Series, Collection : Working Papers 87.

In the case of participatory loans and repayable advances, because of the unduly large number of individual cases, the actual net cost to the State was taken as an estimate of the aid element. The net cost was calculated as the difference between the rate of return effectively received by the state on these participatory loans and the reference rate.

10.6.6. Group D - amounts covered under guarantee schemes
For loans awarded under exchange rate guarantee schemes, the aid element is calculated as though the loan were a soft loan in the currency which is guaranteed against exchange rate fluctuations. The aid element is the difference between the reference rate for the currency which is covered by the guarantee and the rate of interest at which the loan is given less any charge for the guarantee. This calculation is therefore based on calculating the benefit of the scheme to the recipient(8). For simple loan/export guarantee schemes it is normally impractical, because of the volume of cases, to look at every guarantee and decide what would be the price the recipients would normally have to pay for such a guarantee. Consequently, at the global level the net cost of such schemes to the Government (i.e. the difference between the cost of guarantees honored by the state and any revenue from charges for the securities) was taken, except in large individual cases or for certain sectors where the value of the guarantee can be calculated on the basis of the value to the recipient(9).

10.7. Although figures for loans or guarantees from publicly owned credit institutions are given when they are considered as constituting aid, there are greater difficulties in identifying and quantifying such interventions than for other forms of aid, because by their very nature they are less transparent. In order to avoid any unwarranted discrimination with respect to the different treatment of aids in these areas, additional work as to identifying and quantifying such aid will have to be done.

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(8) Where this information is not available, the global losses to the Government are taken as an approximation of the aid element.

(9) This has been the Commission's policy as regards guarantees in the steel and shipbuilding sectors and in individual rescue cases.

IV. Specific problems

11. Research and Development (R & D)

11.1. R & D schemes

The figures include only extra-mural Government funding of R&D programmes for nationalized or private enterprises and they are classified under A1A(10). In view of the global nature of the sources used, it has not always been possible to exclude certain elements of public procurement from extra-mural expenditure (eg. R&D contracts). Because only direct funding of R&D has been included, it is considered that the figures for R&D have been underestimated (R&D contracts and Public Research (see 11.2 and 11.3 below) have been omitted because of the inability to quantify the aid element in such interventions).

11.2. R&D contracts

Figures for research and development contracts have not been included in the figures, since the aid element is, at present, often unquantifiable. Furthermore, the sources do not permit research and development contracts intended specifically for military purpose to be isolated nor the impact on the market of such contracts to be evaluated(11).

11.3. Public Research

No figures are given for any aid element contained in the intramural funding of government or public research establishments or research carried out by institutes of higher education. This omission may be important for certain sectors where state or semi-state bodies carry out large scale R&D that may have commercial repercussions(12).

11.4. Nuclear energy

Member States provide aid to the nuclear energy sector through the intermediary of their public undertakings or through the intermediary of R&D financing (mainly in the form of R&D contracts and public research). Only some of this direct financing could be included in the figures for R&D (2.1.1.). The figures on nuclear energy contained in R&D figures are underestimated, since the R&D figures exclude R&D contracts and public research, the aid element of such measures being difficult to quantify.

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(10) Accelerated depreciation for R&D equipment has not been considered as an aid.

(11) See Community framework for Research and Development Aids, OJ C 83 of 11.4.1986, point 9.2.

(12) See community framwork for Research and Development Aids, point 9.1.

12. Transport in Luxembourg

Transport figures are higher in Luxembourg relative to other Member States. This appears to be due in the main to particularly high payments for pensions of former railways employees. No further details are available.

13. Specific problems concerning agriculture and fisheries

A distinction is to be made between aid paid on the basis of Community legislation and that on basis of national legislation. At present the figures relating to agriculture and fisheries aid in this report group such aids together since it is not possible to split the figures according to type. For this reason these figures are not directly comparable with those in the rest of the report.

For agriculture and fisheries social security measures applicable to the entire sector are excluded. For fisheries, loans and guarantees are not included. In addition, for agriculture, the following measures are excluded : research, enclosure of land, income-tax reductions, social security and investment aids which are part of regional schemes.

Due to lack of more detailed information, the aid element contained in soft loans for Belgium and France had to be estimated globally. In addition, for certain Member States the figures include part of the Community expenditure under directives 159/72 and 268/75. No breakdown as between national and Community funded expenditure was available. Therefore the figures for agricultural aids are probably overestimated. The figures for Germany contain VAT compensation.

14. Tourism and Agrifoodstuff Industries

Due to a lack of information on these two sectors it is probable that the data included in the study are incomplete.

15. Training and unemployment

It is not always apparent whether certain fiscal or social security measures constitute aid or form a coherent and integral part of the fiscal or social security system. In addition, incentive schemes exist in different Member States to stimulate or facilitate general training or the employment of certain socially disadvantaged groups of workers. Insofar as such schemes are not industry-specific and are available across the whole economy and in fact genuinely constitute part of a general system of employment measures, they are not to be considered as State aids. Although a number of training and employment schemes have been treated by the Commission as state aids, not all Member State's measures in these fields have up to now been examined in detail. Therefore, in order to present figures that are comparable between Member States, no training and unemployment measures have been analysed in the present report pending completion of this detailed examination.

STATISTICAL ANNEX

The methodology used for the tables contained is explained in the technical annex.

Table A1	State aid to the manufacturing sector. Annual amounts of aid element 1986 - 1990 in current prices and national currencies.
Table A2	State aid to the manufacturing sector. Annual amounts of aid element 1986 - 1990 in current prices and ECU.
Table A3	German state aid to the former German Democratic Republic.
Tables A4/1-12	Total state aid in each Member State. Annual averages of aid element 1988-1990 in ECU.

Table A1

State aid to the manufacturing sector in current prices 1986 - 1990

in mio national currency

	1986	1987	1988	1989	1990
Belgium	42159.80	46364.80	55622.80	50066.01	50867.22
Denmark	1835.77	2292.57	2781.70	2809.58	2363.30
Germany	15621.82	15120.89	16652.92	14757.56	17319.29
Greece	188923.80	305563.60	243007.50	159165.90	176411.30
Spain	613230.23	459356.93	582799.08	202438.70	220837.50
France	38259.11	34956.53	52793.55	39744.22	35662.99
Ireland	302.70	350.10	295.10	276.00	281.90
Italy (x 1000)	15196.07	12746.23	14781.37	15718.00	19874.90
Luxembourg	1162.75	1669.46	1673.36	2319.17	2147.05
Netherlands	2437.71	2329.85	2751.93	2721.40	3081.90
Portugal	36359.00	23947.73	32737.87	155537.00	137330.00
United Kingdom	2340.18	2507.17	2492.12	20003.30	1908.18
EUR 12 (ECU)	35579.87	32620.20	38002.74	32585.11	35922.08

Table A2

State aid to the manufacturing sector in current prices 1986 - 1990

in mio ECU

	1986	1987	1988	1989	1990
Belgium	962.60	1007.27	1280.79	1154.11	1198.99
Denmark	231.33	290.78	349.84	349.05	300.81
Germany	7340.43	7299.17	8027.83	7128.74	8439.75
Greece	1374.74	1955.98	1450.13	889.99	875.87
Spain	4461.28	3230.54	4235.43	1552.37	1707.74
France	5628.01	5045.34	7502.89	5658.45	5157.96
Ireland	412.66	451.48	380.44	355.30	367.17
Italy	10394.95	8527.56	9614.96	10406.03	13058.92
Luxembourg	26.55	38.79	38.53	53.46	50.61
Netherlands	1015.34	998.10	1178.66	1165.35	1332.92
Portugal	247.19	147.30	192.51	896.92	758.28
United Kingdom	3484.79	3557.89	3750.73	2975.34	2673.06
EUR 12	35579.87	32620.20	38002.74	32585.11	35922.08

Table A3

German state aid to the former German Democratic Republic and the new Länder in 1990

	In mio ECU	In per cent
Fiscal Incentives	170.6	37.2
Grants	151.8	33.1
Interest Subsidies	131.6	28.7
Guarantees	4.6	1.0
TOTAL	458.6	100.0

In 1990, a total amount of 458.6 million ECU was granted by the German Government to companies in the former German Democratic Republic and later in the new Bundesländer.

The most important single schemes were the establishment of VAT-preferences for goods from the new Länder (171 million ECU), the extension of the ERP-assistance to the new Länder (124 million ECU), a scheme focusing on the gradual elimination of impediments to investments in the former GDR and East-Berlin (85 million ECU) and a scheme destined to assist small and medium enterprises in the former GDR and to improve inner-German economic relations (56 million ECU).

Table A3 gives a breakdown of the aid according to the form in which it was given. The largest part of the support were fiscal incentives, followed by grants and interest subsidies. Only one per cent of total aid was granted in form of guarantees.

Table A4/1

BELGIUM
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	226.650						226.650
1.2.	Fisheries	1.375						1.375
2.1.	Industry/Serv.: Horizontal Object	407.470	329.419	58.690	46.620	0.00	76.669	918.868
2.1.1.	Innovation; R+D	79.372	70.289		5.811			155.472
2.1.2.	Environment							0.00
2.1.3.	S.M.E.	184.078	113.265	0.366	9.058			306.767
2.1.4.	Trade/export	13.427	29.902	27.164	28.281		66.679	165.452
2.1.5.	Economisation of Energy	1.108	69.710					70.818
2.1.6.	General investment	129.485	3.569		3.454		9.990	146.498
2.1.9.	Other objectives		42.685	31.160	0.015			73.861
2.2.	Industry/Services: Partic. Sectors	2425.189	0.000	0.000	16.452	0.000	0.000	2441.641
2.2.1.	Steel							0.000
2.2.2.	Shipbuilding				16.452			16.452
2.2.3.	Transports	1332.726						1332.726
	of which Regl. 1191/69 and 1192/69	991.180						991.180
2.2.4.1.	Coal : Aid to current production	147.067						147.067
2.2.4.2.	Coal : Other aids	919.133						919.133
2.2.5.	Other sectors	26.263						26.263
3.	Regional aids	227.450	0.531	0.000	0.000	0.000	21.734	249.714
3.1.	Regions under 92(3)c	227.450	0.531				21.734	249.714
3.2.	Regions under 92(3)a							0.000
	TOTAL (1 + 2 + 3)	3288.133	329.950	58.690	63.072	0.000	98.402	3838.247

DENMARK

Total state aid - annual average 1988 - 1990

Table A4/2

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	275.080						275.080
1.2.	Fisheries	14.346						14.346
2.1.	Industry/Serv.:Horizontal Object.	168.542	11.588	0.000	16.713	0.000	0.000	196.843
2.1.1.	Innovation; R+D	100.325	11.588		4.829			116.743
2.1.2.	Environment	14.464						14.464
2.1.3.	S.M.E.				4.253			4.253
2.1.4.	Trade/Export	21.995			5.029			27.024
2.1.5.	Economisation of Energy	31.758			2.602			34.359
2.1.6.	General Investment							0.000
2.1.9.	Other objectives							0.000
2.2.	Industry/Services: Partic. Sectors	462.968	0.000	0.000	106.357	0.000	0.859	570.184
2.2.1.	Steel							0.000
2.2.2.	Shipbuilding				106.357		0.859	107.216
2.2.3.	Transports	444.414						444.414
	of which Regl. 1191/69 and 1192/69	306.880						306.880
2.2.4.1.	Coal: Aid to current production	0.000						0.000
2.2.4.2.	Coal: Other aids	0.000						0.000
2.2.5.	Other sectors	18.554						18.554
3.	Regional aids	10.618	0.000	0.000	0.000	0.000	0.000	10.618
3.1.	Regions under 92(3)c	10.618						10.618
3.2.	Regions under 92(3)a							0.000
	TOTAL (1 + 2 + 3)	931.554	11.588	0.000	123.070	0.000	0.859	1067.071

Table A4/3

GERMANY
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	2838.970						2838.970
1.2.	Fisheries	16.274						16.274
2.1.	Industry/Serv.:Horizontal Object.	998.999	653.223	0.000	396.758	109.058	84.328	2242.365
2.1.1.	Innovation; R+D	695.719	224.328		17.917	24.128		962.092
2.1.2.	Environment	72.770			89.374			162.143
2.1.3.	S.M.E.	83.541	179.473		181.647	84.930	15.598	545.189
2.1.4.	Trade/Export	5.540	125.053					130.593
2.1.5.	Economisation of Energy	88.547	124.369					212.916
2.1.6.	General Investment	38.963						38.963
2.1.9.	Other objectives	13.920			107.820		68.730	190.470
2.2.	Industry/Services: Partic. Sectors	15802.786	67.091	0.000	14.350	0.000	0.080	15884.307
2.2.1.	Steel	39.140						39.140
2.2.2.	Shipbuilding	228.151			0.080		0.080	228.312
2.2.3.	Transports	6698.319						6698.319
	of which Regl. 1191/69 and 1192/69	4174.130						4174.130
2.2.4.1.	Coal: Aid to current production	4375.700						4375.700
2.2.4.2.	Coal: Other aids	3962.933						3962.933
2.2.5.	Other sectors	498.543	67.091		14.269			579.903
3.	Regional aids	472.327	4042.253	0.000	103.270	157.869	0.000	4775.719
3.1.	Regions under 92(3)c	335.035	316.059	0.000	42.363	0.000	0.000	693.457
3.2.	Berlin/92(2)c	137.293	3726.194	0.000	60.907	157.869	0.000	4082.263
	TOTAL (1 + 2 + 3)	20129.356	4762.567	0.000	514.377	266.927	84.409	25757.635

GREECE
Total state aid - annual average 1988 - 1990

Table A4/4

in mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	207.090						207.090
1.2.	Fisheries	2.883						2.883
2.1.	Industry/Serv.:Horizontal Object.	345.782	108.631	188.173	103.295	0.000	119.316	865.197
2.1.1.	Innovation; R+D	11.625			0.158			11.783
2.1.2.	Environment	0.094			0.452			0.546
2.1.3.	S.M.E.		7.031		102.253			109.283
2.1.4.	Trade/Export	119.465	79.538		0.425		37.821	237.250
2.1.5.	Economisation of Energy	0.112			0.007			0.119
2.1.6.	General investment	0.061	22.062	84.141				106.264
2.1.9.	Other objectives	214.425		104.032			81.495	399.952
2.2.	Industry/Services: Partic. Sectors	217.055	14.443	0.000	8.424	0.000	3.978	243.910
2.2.1.	Steel		1.953					1.953
2.2.2.	Shipbuilding	21.818	0.001		8.434		3.978	34.231
2.2.3.	Transports	195.236						195.236
	of which Regl. 1191/69 and 1192/69	5.850						5.850
2.2.4.1.	Coal: Aid to current production							0.000
2.2.4.2.	Coal: Other aids							0.000
2.2.5.	Other sectors		12.489					12.489
3.	Regional aids	98.799	57.531	0.000	1.799	0.000	0.000	158.129
3.1.	Regions under 92(3)c							0.000
3.2.	Regions under 92(3)a	98.799	57.531		1.799			158.129
	TOTAL (1 + 2 + 3)	871.609	180.604	188.173	113.528	0.000	123.294	1477.209

SPAIN

Total state aid - annual average 1988 - 1990

Table A4/5

In mio ECU

SECTORS/FUNCTION		A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	186.710						186.710
1.2.	Fisheries	58.865						58.865
2.1.	Industry/Serv.:Horizontal Object.	447.771	0.000	3.091	218.973	0.000	23.430	693.266
2.1.1.	Innovation; R+D	96.015			120.446			216.461
2.1.2.	Environment	14.523			1.708			16.231
2.1.3.	S.M.E.	52.765		1.601	75.493		1.918	131.777
2.1.4.	Trade/Export				13.340			13.340
2.1.5.	Economisation of Energy	26.382						26.382
2.1.6.	General Investment	125.514		1.022	2.544			129.080
2.1.9.	Other objectives	132.573		0.467	5.443		21.512	159.996
2.2.	Industry/Services: Partic. Sectors	4639.322	0.000	244.322	48.811	0.000	0.000	4932.455
2.2.1.	Steel	587.569		139.083				726.653
2.2.2.	Shipbuilding	238.945			10.435			249.380
2.2.3.	Transports	2089.980						2089.980
	of which Regl. 1191/69 and 1192/69	294.130						294.130
2.2.4.1.	Coal: Aid to current production	502.467						502.467
2.2.4.2.	Coal: Other aids	664.167						664.167
2.2.5.	Other sectors	556.194		105.239	38.377			699.809
3.	Regional aids	120.408	1.540	0.000	7.456	0.000	0.000	129.404
3.1.	Regions under 92(3)c	120.408	1.540		7.456			129.404
3.2.	Regions under 92(3)a							0.000
	TOTAL (1 + 2 + 3)	5453.076	1.540	247.413	275.241	0.000	23.430	6000.700

FRANCE
Total state aid - annual average 1988 - 1990

Table A4/6

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	2243.710						2243.710
1.2.	Fisheries	36.172						36.172
2.1.	Industry/Serv.:Horizontal Object.	604.424	858.872	0.000	760.534	110.557	1694.649	4029.037
2.1.1.	Innovation; R+D	473.761	316.145		235.564	0.382		1025.852
2.1.2.	Environment	27.871						27.871
2.1.3.	S.M.E.	66.617	542.727		66.586	17.130	9.971	703.033
2.1.4.	Trade/Export	2.628			431.435	93.045	1648.411	2175.519
2.1.5.	Economisation of Energy	33.117						33.117
2.1.6.	General investment				26.949		36.267	63.215
2.1.9.	Other objectives	0.429						0.429
2.2.	Industry/Services: Partic. Sectors	8291.186	14.813	691.337	113.009	69.576	0.000	9179.915
2.2.1.	Steel	16.240						16.240
2.2.2.	Shipbuilding	182.037			80.449			262.486
2.2.3.	Transports	4921.462						4921.462
	of which Regl. 1191/69 and 1192/69	2892.590						2892.590
2.2.4.1.	Coal: Aid to current production	196.867						196.867
2.2.4.2.	Coal: Other aids	2518.100						2518.100
2.2.5.	Other sectors	456.480	14.813	691.337	32.561	69.576		1264.760
3.	Regional aids	455.973	77.939	0.000	0.000	0.000	0.000	533.912
3.1.	Regions under 92(3)c	239.937	72.179					312.116
3.2.	Regions under 92(3)a	216.036	5.760					221.796
	TOTAL (1 + 2 + 3)	11631.465	951.624	691.337	873.543	180.133	1694.649	16022.746

Table A4/7

IRELAND
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	114.010						114.010
1.2.	Fisheries	10.271						10.271
2.1.	Industry/Serv.:Horizontal Object.	41.683	129.300	0.000	0.000	0.000	11.360	182.343
2.1.1.	Innovation; R+D	13.619						13.619
2.1.2.	Environment							0.000
2.1.3.	S.M.E.	22.109					7.749	29.858
2.1.4.	Trade/Export	5.955	129.300				3.611	138.866
2.1.5.	Economisation of Energy							0.000
2.1.6.	General investment							0.000
2.1.9.	Other objectives							0.000
2.2.	Industry/Services: Partic. Sectors	146.870	0.000	7.329	0.043	0.000	0.474	154.716
2.2.1.	Steel							0.000
2.2.2.	Shipbuilding							0.000
2.2.3.	Transports	122.440						122.440
	of which Regl. 1191/69 and 1192/69	66.440						66.440
2.2.4.1.	Coal: Aid to current production							0.000
2.2.4.2.	Coal: Other aids							0.000
2.2.5.	Other sectors	24.430		7.329	0.043		0.474	32.276
3.	Regional aids	118.708	31.895	1.554	0.000	0.000	0.861	153.018
3.1.	Regions under 92(3)c	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3.2.	Regions under 92(3)a	118.708	31.895	1.554			0.861	153.018
	TOTAL (1 + 2 + 3)	431.542	161.195	8.883	0.043	0.000	12.695	614.357

Table A4/8

ITALY
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	3411.320						3411.320
1.2.	Fisheries	94.907						94.907
2.1.	Industry/Serv.:Horizontal Object.	2701.966	0.000	351.381	231.665	0.000	0.000	3285.011
2.1.1.	Innovation; R+D	293.957			146.277			440.234
2.1.2.	Environment							0.000
2.1.3.	S.M.E.	998.997			50.408			1049.406
2.1.4.	Trade/Export	338.980		351.381	6.367			696.728
2.1.5.	Economisation of Energy	102.093						102.093
2.1.6.	General Investment	261.994			6.565			268.559
2.1.9.	Other objectives	705.944			22.047			727.992
2.2.	Industry/Services: Partic. Sectors	9603.975	0.440	190.193	20.352	0.000	0.000	9814.960
2.2.1.	Steel	677.850						677.850
2.2.2.	Shipbuilding	267.719		128.648				396.367
2.2.3.	Transports	8184.591						8184.591
	of which Regl. 1191/69 and 1192/69	2738.840						2738.840
2.2.4.1.	Coal: Aid to current production							0.000
2.2.4.2.	Coal: Other aids							0.000
2.2.5.	Other sectors	473.815	0.440	61.545	20.352			556.152
3.	Regional aids	1670.373	4421.630	0.000	19.260	0.000	0.000	6111.262
3.1.	Regions under 92(3)c	389.591	53.081		2.168			444.840
3.2.	Regions under 92(3)a	1280.782	4368.549		17.091			5666.422
	TOTAL (1 + 2 + 3)	17482.541	4422.070	541.573	271.277	0.000	0.000	22717.460

Table A4/9

LUXEMBOURG
Total state aid - annual average 1988 - 1990

In mio ECU

SECTORS/FUNCTION		A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	17.770						17.770
1.2.	Fisheries	0.000						0.000
2.1.	Industry/Serv.:Horizontal Object.	9.204	0.000	1.143	7.744	0.000	0.466	18.557
2.1.1.	Innovation; R+D	3.394			0.272			3.666
2.1.2.	Environment	0.457						0.457
2.1.3.	S.M.E.	2.620			7.185			9.804
2.1.4.	Trade/Export	0.180			0.207		0.466	0.853
2.1.5.	Economisation of Energy							0.000
2.1.6.	General Investment	2.553		1.143	0.081			3.777
2.1.9.	Other objectives							0.000
2.2.	Industry/Services: Partic. Sectors	183.429	0.000	0.000	0.000	0.000	0.000	183.429
2.2.1.	Steel							0.000
2.2.2.	Shipbuilding							0.000
2.2.3.	Transports	183.306						183.306
	of which Regl. 1191/69 and 1192/69	118.260						118.260
2.2.4.1.	Coal: Aid to current production							0.000
2.2.4.2.	Coal: Other aids							0.000
2.2.5.	Other sectors	0.123						0.123
3.	Regional aids	28.845	0.000	0.000	0.008	0.000	0.000	28.853
3.1.	Regions under 92(3)c	28.845			0.008			28.853
3.2.	Regions under 92(3)a							0.000
	TOTAL (1 + 2 + 3)	239.247	0.000	1.143	7.753	0.000	0.466	248.609

Table A4/10

NETHERLANDS
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	542.830						542.830
1.2.	Fisheries	2.041						2.041
2.1.	Industry/Serv.:Horizontal Object.	527.333	329.949	0.000	52.592	0.000	34.243	944.118
2.1.1.	Innovation; R+D	390.771			38.584			429.355
2.1.2.	Environment	29.836						29.836
2.1.3.	S.M.E.	50.370	320.912		14.008			385.290
2.1.4.	Trade/Export	18.114						18.114
2.1.5.	Economisation of Energy	18.411	9.037					27.448
2.1.6.	General Investment	13.961					34.243	48.204
2.1.9.	Other objectives	5.871						5.871
2.2.	Industry/Services: Partic. Sectors	933.027	0.000	0.000	1.042	0.000	0.000	934.069
2.2.1.	Steel							0.000
2.2.2.	Shipbuilding	88.391						88.391
2.2.3.	Transports	801.582						801.582
	of which Regl. 1191/69 and 1192/69	748.890						748.890
2.2.4.1.	Coal: Aid to current production	0.000						0.000
2.2.4.2.	Coal: Other aids	0.000						0.000
2.2.5.	Other sectors	43.054			1.042			44.096
3.	Regional aids	149.042	0.000	0.000	0.000	0.000	0.000	149.042
3.1.	Regions under 92(3)c	149.042						149.042
3.2.	Regions under 92(3)a							0.000
	TOTAL (1 + 2 + 3)	2154.273	329.949	0.000	53.634	0.000	34.243	2572.100

Table A4/11

PORTUGAL
Total state aid - annual average 1988 - 1990

In mio ECU

	SECTORS/FUNCTION	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	175.590						175.590
1.2.	Fisheries	3.737						3.737
2.1.	Industry/Serv.:Horizontal Object.	85.179	12.917	0.379	1.734	0.000	5.304	105.513
2.1.1.	Innovation; R+D	5.794		0.379	0.757			6.930
2.1.2.	Environment							0.000
2.1.3.	S.M.E.	1.643			0.137		0.480	2.260
2.1.4.	Trade/Export	0.941			0.099			1.040
2.1.5.	Economisation of Energy	1.866						1.866
2.1.6.	General investment	0.093			0.741		4.824	5.658
2.1.9.	Other objectives	74.841	12.917					87.758
2.2.	Industry/Services: Partic. Sectors	198.907	3.187	362.139	20.378	0.000	0.000	584.611
2.2.1.	Steel	28.038		115.670				143.708
2.2.2.	Shipbuilding	12.587		153.960				166.527
2.2.3.	Transports	103.082						103.082
	of which Regl. 1191/69 and 1192/69	74.650						74.650
2.2.4.1.	Coal: Aid to current production	3.633						3.633
2.2.4.2.	Coal: Other aids	0.000						0.000
2.2.5.	Other sectors	51.586	3.187	92.509	20.378			167.660
3.	Regional aids	30.921	1.463	0.000	0.109	0.000	0.000	32.493
3.1.	Regions under 92(3)c							0.000
3.2.	Regions under 92(3)a	30.921	1.463		0.109			32.493
	TOTAL (1 + 2 + 3)	493.334	17.567	362.518	22.222	0.000	5.304	901.944

UNITED KINGDOM

Total state aid - annual average 1988 - 1990

Table A4/12

In mio ECU

SECTORS/FUNCTION		A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1.	Agriculture	764.990						764.990
1.2.	Fisheries	24.295						24.295
2.1.	Industry/Serv.:Horizontal Object.	1185.054	70.011	0.000	1.545	190.694	-22.010	1425.293
2.1.1.	Innovation; R+D	245.216						245.216
2.1.2.	Environment	63.953						63.953
2.1.3.	S.M.E.	349.652					12.383	362.036
2.1.4.	Trade/Export	495.023					-34.393	460.630
2.1.5.	Economisation of Energy	6.702						6.702
2.1.6.	General Investment	12.948	70.011			190.694		273.653
2.1.9.	Other objectives	11.560			1.545			13.105
2.2.	Industry/Services: Partic. Sectors	4532.919	0.000	235.288	69.957	0.000	30.763	4868.927
2.2.1.	Steel	2.660						2.660
2.2.2.	Shipbuilding	133.484			69.957		30.763	234.204
2.2.3.	Transports	820.490						820.490
	of which Regl. 1191/69 and 1192/69	820.490						820.490
2.2.4.1.	Coal: Aid to current production	2314.233						2314.233
2.2.4.2.	Coal: Other aids	1094.933						1094.933
2.2.5.	Other sectors	167.119		235.288				402.407
3.	Regional aids	959.812	59.472	2.822	17.723	0.000	28.662	1068.491
3.1.	Regions under 92(3)c	743.292			15.430		28.662	787.385
3.2.	Regions under 92(3)a	216.519	59.472	2.822	2.293			281.107
	TOTAL (1 + 2 + 3)	7467.069	129.482	238.110	89.225	190.694	37.415	8151.996