



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

PART I

Introduction

1. In December 1988 the Commission adopted the First Survey on State Aids in the European Community, which was published in all languages in 1989⁽¹⁾. This First Survey gave for the first time a quantitative analysis of the volume, trends, form and objectives of aids to manufacturing and certain other sectors. Figures were given for the EEC 10 for 1981-86 and an extensive analysis and description of the results for each Member State was presented. Analysis was also presented of the volume and objectives of Community aids. The report considered that whilst distortions of competition could not be simply equated with the volume of aids (an analysis of the sector receiving the aid was called for) the sheer volume of aid identified gave rise for serious concern. This First Survey furthermore explained the detrimental effect that aids could have on the unity of the common market through the distortion of competition. These conclusions remain valid and explain the importance that the Commission attaches to the vigorous application of its powers under Article 92-93 of the EEC Treaty.
2. The report concluded that greater efforts should be made to increase transparency in the field of state aids and that the results be used as a basis to adapting state aid policy. It stressed both the necessity to reinforce disciplines in this field in order to avoid that the uncontrolled granting of state aids compromise the successful completion of the internal market and the necessity for community control of national aid policies, since when left alone Member States can only take account of their own national interests.

(1) Document Series. Hereinafter First Survey.

3. The purpose of the present report is to further increase transparency by updating the figures produced in the First Survey for 1987 and 1988 and including for the first time Spain and Portugal. These results are analysed to point out the salient features of aid in each Member State and changes that have taken place since the First Survey.

Internal market

4. Since the beginning of the common market competition has always played an important role in stimulating economic growth and integrating the economies of the different Member States. Without a system of vigorous and free competition, the unprecedented growth in wealth and jobs seen in the common market would not have been possible. Now with the internal market this role of a system of free competition as a stimulus to economic change becomes even more important. Even since the publication of the First Survey it has become increasingly clear that there can be no successful completion of the internal market without a robust aids policy applied by the Commission. Competition is bound to intensify with the completion of the internal market because barriers to, and therefore costs of, trade between Member States are being systematically reduced as a result of Community action. Consequently, hitherto partially protected national markets will become accessible to more competitors in other Member States. This increased competition may lead to calls for more aid either to defend national companies/industries that are coming under pressure from the increase in competition or to countervail aids given in other Member States. As a result competition could be distorted and industrial structures frozen.

Furthermore, unless the free play of competition is allowed to restructure Community industry, very little of the macro-economic advantages that will come from a real internal market (e.g. 5% increase in GDP, creation of 2 m jobs, 6% reduction in inflation) which were identified in the Cecchini Report⁽²⁾ will be realised. Competition is the main vehicle to bring about these advantages.

5. In addition to the need to ensure that any aids that are granted by Member States in the Community do not frustrate the move towards the internal market, the Commission must verify that the remaining aids promote recognised Community objectives. In particular the Commission has in mind the goal of cohesion, which permits aid for the promotion of peripheral and poorer regions of the Community. The Community will continue to ensure coherence between its own structural funds and state aids such that the two are complementary not contradictory.

International trade aspects

6. The perception of the importance of aid as an impediment to international trade has also been growing in importance since the publication of the First Survey. 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 stricter attitude in this field demonstrates the Community's commitment to the international trading system. Consequently any aids granted in the Community must be in conformity with the GATT rules⁽³⁾. Trade relations can only improve with increased transparency of aids, which explains not only the Commission's active participation in the GATT discussions on this subject, but also its support and participation in the study

(2) European Challenge - 1992. CEE.

(3) In certain sectors, the Commission is making efforts for sectoral agreements to eliminate aid as an obstacle to international competition - see bilateral agreement with USA on steel (OJ L 368/185 of 18.12.1989). Similar efforts are being made within the context of the OECD to conclude multilateral agreements on shipbuilding.

currently being undertaken in the OECD to quantify aids. In addition and for the same reason the initiative of the EFTA countries to publish a detailed analysis of aids⁽⁴⁾ in its member countries is welcomed since this will facilitate the success of the European Economic Space.

7. At the moment the results of these different reports on aids are not fully comparable because their scope and methodologies differ. It would be useful for international transparency if work could be undertaken to make the results comparable. In addition any moves by the Community's trading partners who have not already done so to make publicly available similarly figures to the ones contained in this report and the First Survey should be encouraged. It is the intention that the figures for the Community should be regularly updated and published.

Legal distinction between aids and general measures

8. With the aim in mind of increasing transparency, the Commission has examined aids falling within the scope of Articles 92 and 93 EEC. For a measure to fall within the scope of Article 92 it must be an aid granted through State resources which by favouring certain undertakings or the production of certain goods distorts or threatens to distort competition and affects trade between Member States⁽⁵⁾. This specific nature of aids falling within the scope of Article 92 (i.e. favour certain undertakings ...) distinguishes them from other (normally called general) measures. When these general measures distort competition, to the extent that the resultant distortion needs to be eliminated, they fall within the scope of Articles 101/2. General measures comprise any state interventions that apply

(4) The latest report is "Government Aid in 1988 - annual report by the Secretariat". EFTA 97/89 of 6.12.1989.

(5) For the measures and aids excluded from the study, see Technical Annex.

uniformly across the economy and which do not favour certain enterprises or sectors. For example, the generally applied fiscal system⁽⁶⁾ and system of social security contributions usually constitute general measures (e.g. rules of depreciation applied to capital equipment and charges on employers and employees to finance social benefits)⁽⁷⁾. The Commission has started its investigation in greater detail of the distinction between general measures and aids and will integrate the results obtained in a later annual updating of this Survey. It is important to have a distinction between general measures and aids because of the different legal arrangements made to deal with each type of measure. Aids falling within the scope of Article 92 are, with the exception of the aids which meet the criteria of Article 92(2), banned unless the Commission grants a derogation under Article 92(3). For the general measures that distort the conditions of competition the Commission may make recommendations to the Member States concerned if the distortions need to be eliminated and thereafter, if necessary, submit proposals to the Council to issue the necessary directives. There is no possibility for a derogation for general measures. Other general measures fall under different articles of the Treaty (notably Article 100(A)) when they affect the establishment or functioning of the common market.

Economic rationale for distinction between aids and general measures

9. The Treaty's relatively strict approach towards aids and the Commission's policy in this field has been based on the economic view that aids have a more direct and immediate impact on the conditions of competition between Member States than general measures. By concentrating State resources on certain enterprises or sectors, and by giving them benefits which are in addition to the normal system

(6) The commission has proposed several Directives aiming at harmonizing different aspects of the direct fiscal systems applied to enterprises.

(7) Certain fiscal and social security measures can constitute aids when they are applied in a discriminatory manner to the advantage of certain enterprises or sectors, or where their effect is to favour such activities.

applied in a Member State, the favoured enterprises or sectors are for the reasons explained below put at a clear advantage not only vis-à-vis competitors in the same Member State, but also vis-à-vis competitors in other Member States. This prima facie distortive effect of aids must be contrasted with measures applied generally and in a non-discriminatory way across the whole economy. However, this is not to say that general measures may not distort competition. If they do, they fall under Articles 101/2. Nevertheless, it is widely held that the direct effect of most general measures is likely to be diluted across the whole spectrum of economic activity, be compensated or counteracted by other general measures, or be neutralised to a large extent by exchange rate changes⁽⁸⁾. The rationale for the distinction between aids and general measures in the Treaty, and the greater willingness to tolerate the latter, is furthermore based on a recognition to-date by the Commission that it is not the aim of competition policy to try to remove fundamental differences between Member States' cost structures which contribute to the wider economic and social framework within which firms operate in each Member State⁽⁹⁾. Indeed, to do so would undermine the basis for mutually beneficial trade. Where there are differences in the role of the state in the economy and the provisions of public goods, there will also be differences in the overall level of taxation. Even in countries where the general burden of taxation is similar, for historical and political reasons there may be significant differences in the structure of the taxation system.

(8) This is the reasoning implicit in the Spaak report "Rapport des chefs de délégation aux Ministres des Affaires Etrangères" - Conference of Messina, April 1956.

(9) Examples of the other factors that enter into the make-up of the overall economic and social framework within which firms operate in each Member State include the following: general level of physical infrastructure and the provision of public goods and services, general level of taxation, general level of education and training of workers, financial and political stability, general level of cost of factors of production (capital and labour) and natural resource endowment.

10. The Commission has always considered that aids have a direct and immediate impact on competition because by the definition of their specificity they are targetted at certain objectives often in a selective and discriminatory way. In order to favour the aided enterprise, taxes must be levied on the rest of the economy. Thus not only are enterprises in other Member States put at a competitive disadvantage by the aid because the aided enterprises are favoured in a way outside the normal fiscal or social security systems that contribute to the equilibrium between Member States, but also enterprises not receiving aid in the same Member State are disadvantaged and pay higher taxes directly or indirectly. Further work needs to be undertaken to establish criteria to identify general measures that may distort competition and which would fall within the scope of Articles 101/2.

PART II

Main results

11. The main results of the update to cover 1987 and 1988 and the inclusion for the first time of Spain and Portugal are given below. It should be noted that only aids to manufacturing, agriculture, fisheries, coal, railways and inland waterways are included in this report. The methodology used in this Second Survey is the same as used for the First Survey. It is described in Annex III. Any new technical or methodological explanations are also given. Where appropriate the figures for 1981-86 from the First Survey are given by way of comparison.

12. The figures for 1987 and 1988 for all Member States, except Greece and Belgium, were drawn up in cooperation with the Member States concerned. The figures have been sent to Member States and most figures have been verified and a relatively high degree of certainty can be placed on them. Although the figures for Portugal were drawn up in cooperation with the national authorities, gaps still remain. The figures for Portugal should therefore be regarded as still incomplete. For Greece no cooperation was received from the national authorities and for Belgium the cooperation arrived too late to be taken into consideration. Consequently the Commission was forced to make its estimates and extrapolations on the basis of the necessarily incomplete information it had. Results for these Member States should therefore be treated with caution. This warning applies particularly to Greece where no cooperation was received during the drawing up of the First Survey and so the base for extrapolation and estimates is even less certain than the case of Belgium where estimates for 1981-86 in the First Survey were verified by the Belgian authorities.

13. It should be noted that the figures for Italy in the First Survey have been revised as a result of contact with the Italian Government. These revisions imply a reduction in the overall volume of aid in Italy of 29%. The reasons for this and the revised results for 1981-86 are given in Annex I. Any results for Italy for 1981-86 used in

this Report are the revised figures and not those of the First Survey. Despite the relative reduction of aid, the conclusions drawn in the First Survey concerning Italy remain valid, in that Italy gave a greater volume of aid to manufacturing industry than other comparable Member States. The Italian Government does not accept that the capital injections counted by the Commission as aid constitute aid.

14. It should also be noted that the figures for Ireland have been revised as a result of new calculations undertaken in 1989 by the Irish authorities of the estimated revenue forgone by the Export Sales Relief which is being phased out in 1990⁽¹⁰⁾. In view of the importance of this scheme in Ireland this change in the base of calculation reduces the figures for Ireland for 1981-86 that were given in the First Survey. Any results for Ireland for 1981-86 used in this Report are the revised figures and not those of the First Survey. The revised figures from the First Survey for Ireland are also found in Annex I.

Volume and trend of aid in manufacturing

15. Aids to manufacturing in the EEC account on average for the bulk of the aids covered in this report (41%) and are analysed first (Table I)⁽¹¹⁾.

(10) The figures of revenue forgone for Export Sales Relief in Ireland in the First Survey for 1981-86 were based on the assumption that most recipients would pay the maximum rate of profit tax if they had not been benefitting from this scheme. However in the recalculation account has been taken of the fact that many recipients of Export Sales Relief would, in the absence of this Relief, have paid the lower general rate of tax available to manufacturing industry - see Annex I for details.

(11) The figures from the First Survey for 1981-86 are reproduced where appropriate in each table in brackets after the comparable figure for each Member State for the average 1986-88. The absolute figures from the First Survey are expressed in 1987 prices in order to make them comparable with the averages for 1986-88 which are also in 1987 prices. The figures for 1981-86 are not therefore identical to those in the First Survey. In all tables the EEC average for 1981-6 refers to the EEC 10 and therefore is not directly comparable to the 1986-88 figure which refers to EEC12. Further details and other technical points relating to the figures in the tables are given in Annex III.

TABLE I
average 1986-88 (1981-86)

a) Aids to manufacturing as % of gross value added in manufacturing

GR	P	I	IRL	E	B	F	NL	D	UK	LUX	DK	EEC 12
15.5 (12.9)	8.3 (-)	6.7 (9.5)	6.1 (7.9)	5.3 (-)	4.4 (6.4)	3.7 (4.9)	3.3 (4.1)	2.7 (3.0)	2.7 (3.8)	2.3 (7.3)	2.0 (2.8)	4.0 (4.8)

b) Figures in a) excluding aids to steel and shipbuilding

GR	P	I	IRL	E	B	F	NL	D	UK	LUX	DK	EEC 12
16.4 (13.9)	8.1 (-)	6.5 (8.2)	6.2 (7.3)	3.7 (-)	4.6 (4.5)	3.5 (3.6)	3.5 (4.1)	2.7 (2.9)	2.5 (2.9)	4.4 (3.5)	1.6 (2.8)	3.8 (4.0)

c) Aids to manufacturing as ECU per employee in manufacturing

GR	P	I	IRL	E	B	F	NL	D	UK	LUX	DK	EEC 12
3545 (n.a.)	744 (-)	3136 (4360)	2504 (2738)	1528 (-)	1601 (2204)	1456 (1886)	1458 (1461)	1135 (1055)	806 (1115)	956 (2471)	770 (1135)	1515 (1761)

d) Figures in c) excluding aids to steel and shipbuilding

GR	P	I	IRL	E	B	F	NL	D	UK	LUX	DK	EEC 12 (
3721 (n.a.)	701 (-)	3077 (3791)	2551 (2551)	1067 (-)	1693 (1533)	1371 (1399)	1528 (1442)	1139 (1010)	723 (869)	1812 (1119)	643 (700)	1439 (1474)

Table I shows a high level of aids to manufacturing in Greece, but the figures for Greece are considered too unreliable for detailed comments (see point 12 above). Greece is followed by Portugal when aid is expressed in terms as a percentage of value added (8,1%). However in absolute terms and in terms of aid per employee (701 ECU) Portugal gives very little aid to manufacturing which because of its low productivity even this small aid appears large when expressed as a percentage of value added. Italy is ranked third, giving over twice the Community average per employee (3077 and 1439 ECU per employee respectively) and 75% more in terms of value added (6,5% and 3,8% respectively). Ireland (6,2% and 2551 ECU) is the only other Member State significantly greater than the Community average for manufacturing on both indicators⁽¹²⁾. Most other Member States (i.e. Belgium (4,6%, 1693 ECU), Netherlands (3,5% and 1528 ECU), Luxembourg (4,4% and 1812 ECU), and France (3,5% and 1371 ECU) may be said to be around the Community average with Spain (3,7% and

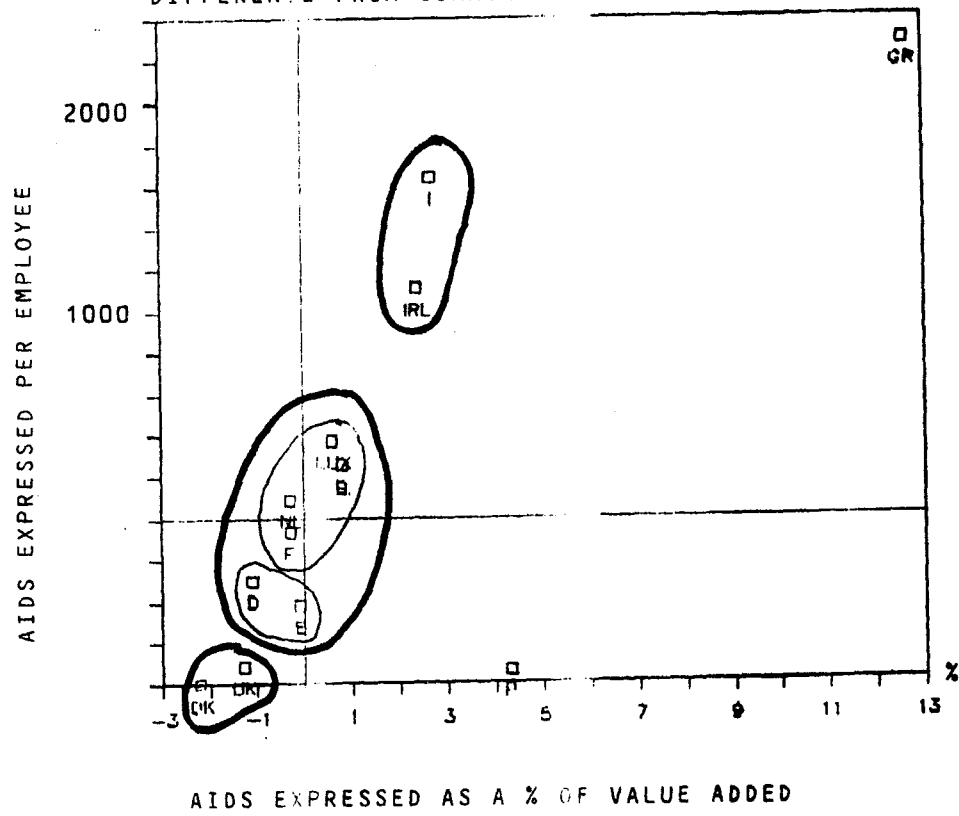
(12) In Ireland the aid figure will decline once Export Sales Relief is phased out in 1990.

1067 ECU) and Germany (2,7% and 1139 ECU) slightly under. The UK (2,5% and 723 ECU) and to an even greater extent Denmark (1,6% and 643 ECU) are the lowest aid givers. The grouping of the Member States' aid to manufacturing appears clearly from Chart 1, Italy and Ireland are shown to be in the group of the highest aid givers in terms both as a percentage of value added and per employee. Luxembourg, Belgium, Netherlands, France form a group around the Community average with Germany and Spain slightly lower. The UK and Denmark form a group of low aid givers. Portugal in terms of ECU per head is comparable to the low aid givers but as a percentage of value added is comparable to the high aid givers.

16. As regards the change in the levels of aid to manufacturing there has been a decline in aid expressed as a percentage of GDP at the Community level and in all Member States when steel and shipbuilding are included. A similar decline is found if aid to manufacturing is expressed in ECU per employee except in Germany and the Netherlands where a small increase was registered. However, if abstraction is made from the special influence of steel and shipbuilding, there has been a not very significant reduction at the level of the Community for aids to manufacturing (4,0% to 3,8% and 1474 ECU to 1439 ECU). In fact only Italy, UK and Denmark registered significant reductions (i.e. the biggest and smallest aid givers alone reduced their aid). In Ireland, Luxembourg, Belgium, Germany and France there was very little change when aid is expressed as a percent of value added and with the exception of Ireland even a small but significant real absolute increase in terms of ECU per employee. In the Netherlands the results were mixed: aid declined as a percentage of value added but increased per employee. Spain and Portugal have been too short a

CHART I
AID TO THE MANUFACTURING SECTOR WITHOUT STEEL & SHIPBUILDING
DIFFERENCE FROM COMMUNITY AVERAGE

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time in the Community to discern any underlying changes in aid levels. Finally for the period 1986-88 there is a large difference for Spain between those results including steel and shipbuilding and those excluding these sectors because Spain was undertaking a major aided restructuring of steel in this period. This contrasts with the situation in other Member States where the aided restructuring generally took place in the period 1981-86.

17. It has been widely believed that aids were temporarily higher in the early 1980's as Member States intervened to restructure their economies after the second oil shock. However this view is not supported by the figures for aids to manufacturing. If abstraction is made from the special situation of steel, there has been no significant decline and even an increase in some indicators in the Community in most Member States when comparison is made between the periods 1981-86 and 1986-88. Only three Member States (Italy, UK, Denmark) have actually reduced aid levels.

Trends of aid in manufacturing

18. Certain interesting conclusions can be drawn as to the trends of aid to manufacturing. Table 11a shows aid to manufacturing without steel and shipbuilding expressed in national money at constant prices⁽¹³⁾. Only the UK shows a constant decline over that period. This decline is probably underestimated because large aids to certain individual cases were registered as occurring in 1987 and 88 when in fact these equity/debt write-offs were to cover losses that occurred in previous years. In France after a small increase at the beginning of the period there is probably a significant underlying downward trend in aid to manufacturing, which would have become more marked if the large aids to two enterprises which were capital injections attributed in uneven payments over the period 1985-88 had been attributed to the previous years when the losses, for which they were a compensation, actually occurred. In Italy aids to manufacturing

(13) No conclusion concerning trends are drawn for Spain and Portugal because of the relatively short period since their adhesion.

appear to have peaked over the period 1983-85 and declined in subsequent years but now appear to have levelled off. More up-to-date figures are needed to see if the reduction is continuing. In Denmark although aids are significantly less than the peak in 1982-83 it is possible that they are starting to increase once more although from a very low level. In Germany no marked trend in aids to manufacturing in real terms can be seen for aid in national currency although in ECU terms this would be a slight upward trend. In Luxembourg aids were stable for most of the period 1981-86 but appear to have increased since then. In the Netherlands no underlying trend can be discerned. In Belgium the volume of aids appears to have peaked in 1983 then declined but since 1987 appears to be increasing again. More recent figures will be needed to see if this new trend is confirmed. Finally in Ireland there does appear to have been a downward trend even with some erratic variations.

TABLE IIA
Aids to manufacturing (without steel and shipbuilding)
In million national currency at 1988 prices

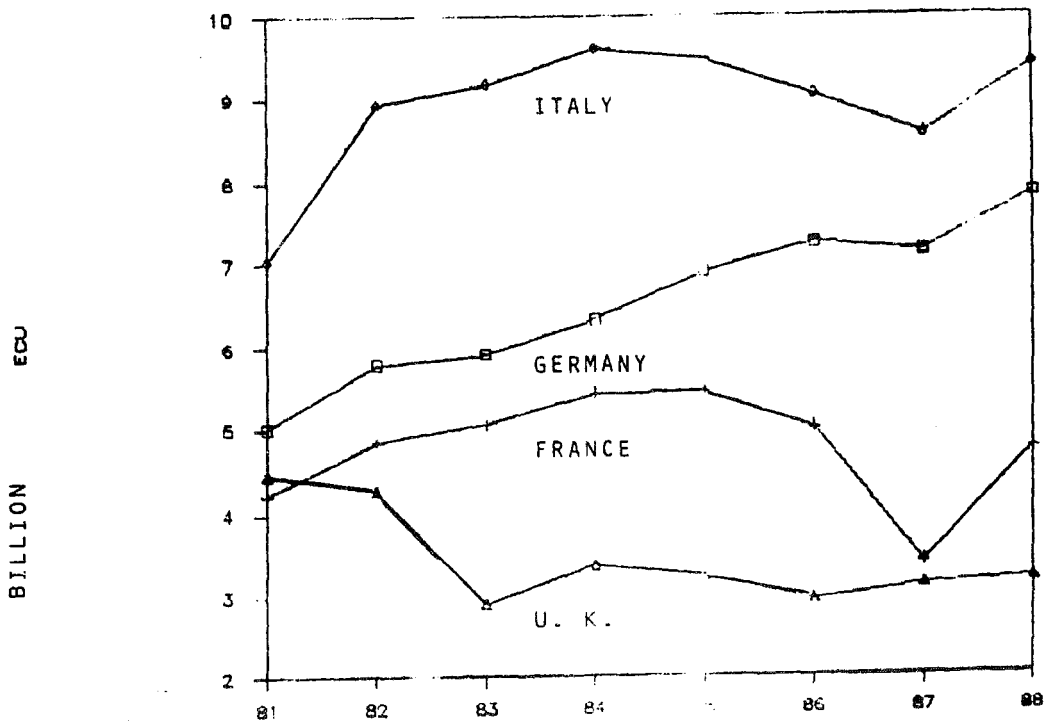
	81	82	83	84	85	86	87	88
B	40158	42196	49778	44683	46465	41687	45693	47396
DK	1885	2386	2160	1635	1928	1681	1883	1845
D	15100	15780	14941	15471	16379	15949	15011	16281
GR	121163	106806	125660	145586	184322	217003	177947	159832
E	-	-	-	-	-	324694	268662	277952
F	39686	43447	43513	44166	41274	36131	24306	33379
IRL	412	379	409	296	360	313	358	286
I*	17332	19808	18047	17389	16476	14780	13516	14423
LUX	1036	909	1069	1072	885	1186	1713	1666
NL	2462	2778	2413	2969	2442	2407	2381	2630
P	-	-	-	-	-	79946	74205	68535
UK	3579	3227	2180	2441	2211	2211	2354	2134

* thousand million units of national currency

TABLE 11b
 Aids to manufacturing (excluding shipbuilding and steel)
 Aid amounts at current exchange rates in MECU

	1981	1988
B	720	1091
DK	156	232
D	5010	7849
GR	592	954
E	-	2020
F	4224	4744
IRL	372	369
I	7040	9382
LUX	19	38
NL	780	1126
P	-	403
UK	4463	3212

CHART II
 AIDS TO MANUFACTURING EXCLUDING SHIPBUILDING & STEEL
 AID AMOUNTS AT CURRENT EXCHANGE RATES



19. The result of these trends and changes can be seen in Table 11b which shows the total of aid in manufacturing (excluding steel and shipbuilding) in ECU at current exchange rates for the years 1981 and 1988. As can be seen clearly from Chart 11, in 1981 of the big four economies Germany, UK and France all gave approximately the same aid to manufacturing (5,0, 4,5 and 4,2 billion ECU respectively) with Italy much higher (7,0 billion ECU). By 1988 the divergences had become greater. The UK was clearly the lowest (3,2 billion ECU) followed by France (4,7 billion ECU)⁽¹⁴⁾, i.e. the underlying trend for both is well below the 1981 figure allowing for inflation. Germany had climbed steadily to 7,8 billion ECU, i.e. well over UK level and the underlying French level. However as a percentage of value added in manufacturing Germany (2,7%) gave less than France (3,7%) and nearly the same as the UK (2,7%). In addition it should be noted that 43% of German aid is for Berlin, without this Germany would spend 4,4 billion ECU, i.e. more comparable to the absolute UK and France figures, and less in relation to value added. Italy despite its reduction in aid from a peak in real terms in 1983-85 stood at 9,4 billion ECU in 1988 i.e. around three times the level in the UK, nearly three times the underlying figure in France and 20% higher than Germany with its much bigger economy. In fact in terms of value added Italy (6,5%) gives two and a half times as much as Germany (2,7%). In terms of ECU per employee these differences are even more marked (ratio nearly 3:1). Even if account is taken of the fact that 47% of aids in Italy are specific for the Mezzogiorno (which in any case is around 40% of population), Italy would still give nearly double the underlying figure for France and the UK (and 20% greater than Germany without Berlin). However this hypothetical calculation would underestimate the extent to which aids are greater in Italy because without the Mezzogiorno the Italian economy would not be comparable in size to that of the other big three.

(14) The UK figure but more particularly that for France is artificially inflated for 1988 - see point 18. Without the large one-off payment to one enterprise to cover debts incurred in previous years France would have been 3,3 billion ECU.

Aid to agriculture(15)

20. In sectors such as agriculture where a common 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 III a) and III b), which show two different ways of quantifying aids to agriculture.

The figures in Table III a) 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 III b) are taken from the Economic Accounts for Agriculture (1983-86, Eurostat) 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 III b) only shows aids paid directly to producers.

TABLE III a)
National aids to agricultural products* as a % of
gross value added in agriculture

	B	DK	D***	GR	E**	F	IRL	I**	LUX**	NL**	P	UK
81-86	7,3%	8,0%	9,8%	-	-	12,1%	13,2%	- (9,0%)	- (12,0%)	- (7,2%)	-	14,0%
86-88	6,2%	4,9%	13,5%	2,0%	- (1,3%)	7,6%	6,6%	- (11,0%)	- (14,1%)	- (6,2%)	6,4%	8,6%

See Technical Annex for sources and methodology.

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

** Based on national accounting data or long term extrapolations - not comparable with figures for other Member States. These estimates have however been used in Tables XI, XII and XIII when analysing total aids to the economy.

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

(15) See annex II for further technical explanations.

TABLE III b)

National aids and Community interventions paid directly
to agricultural production as a % of gross value
added in agriculture

	B	DK	D	GR	E	F	IRL	I	LUX	NL	P	UK
81-86	-	3,6%	10,0%	7%	2%	4,8%	9,0%	8,3%	8,5%	1,9%	2,6%	8,5%
86-88	-	2,7%	20,8%	10%	2,4%	6,5%	10,8%	10,4%	8,7%	1,7%	6,4%	10,7%

Source Economic Accounts for Agriculture 1983-88 Eurostat

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 in table III b) but also all other relevant components of a budgetary as well as non-budgetary nature⁽¹⁶⁾. 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 1986-1988, 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 report is not to examine the total level of support to agriculture or its change over time.

Aid to fisheries

21. 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 III c and III d, 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.

(16) Such as export refunds, intervention expenditure, and transfers from consumers to producers through price policy measures.

TABLE III c) (15)

Aids to fisheries in % of gross value added in this sector, calculated on the basis of quantities landed and average prices

	B	DK	D	GR	E**	F	IRL	I	LUX	NL**	P**	UK
86-88	1,8	2,7	16,9	1,5	2,9	2,7	10,7	0,1	-	0,5	1,5	5,3

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

** Provisional data for value added.

TABLE III d)

Community interventions in the fisheries sector in the framework of the common organisation of the market and structural policy (MECU)

	1981	1982	1983	1984	1985	1986	*1987	1988
Guarantee	28,0	31,3	17,2	14,5	15,6	18,0	17,4	46,9
Orientation	36,0	50,7	48,8	70,0	98,9	104,6	115,4	100,4

Aid to transport (railways and inland waterways)

22. Table IV 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 and 1192/69) the aid amounts involved are extremely high, although on the whole they have decreased. This was particularly so in the UK where aid levels were halved and the UK is the only Member State with aid of less than 10% of value added.

TABLE IV
Aid to railways and inland waterways as a % of
gross value added in railways**

a) 1986-88 b) (1981-86)
c) Percentage of aid granted under Regulation 1191 and 1192/69 - 1986-88

	B	DK	D	GR*	E	F	IRL*	I	LUX	NL*	P	UK
a)	63%	14%	32%	(5%)	28%	29%	(18%)	(8%)	174%	(6%)	12%	9%
b)	(70%)	(15%)	(37%)	(n.a.)	-	(38%)	(n.a.)	(49%)	(181%)	((22%))	-	(18%)
c)	68%	75%	60%	(13%)	15%	58%	(57%)	29%	70%	(93%)	77%	98%

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

** Gross value added details were not available for all years. The figures should therefore be regarded as "best estimates". Aid figures include inland waterways. For sources see Technical Annex. No figures are given in this report for transport other than for railways.

Aids to shipbuilding

23. Table V shows aid to shipbuilding as a percentage of gross value added⁽¹⁷⁾⁽¹⁸⁾. Aid levels are generally high but particularly so in France (68,0%) and to a less extent Italy (28,2%), the UK (25,0%), Spain (17,5%), Germany (16,6%) and Belgium (12,3%). Only the Netherlands (3,8%) and Denmark (7,8%) may be described as modest. The trends between Member States have also been significantly different. Aid levels in Belgium, Denmark, Italy and the Netherlands all declined. In Germany, France and the UK they increased significantly.

(17) Aids to shipbuilding in the period 1986-88 were covered by the 6th Shipbuilding Directive (OJ L 69 of 12.3.1987). Prior to this the 5th Shipbuilding Directive was applicable (OJ L 137 of 23.5.1981).

(18) In the First Survey a similar table was also given for steel because aid levels were particularly high during the period 1981-86. However because aids to steel have virtually been phased out under the current steel aids code it is not considered worthwhile giving a table (OJ L 38/8 of 10.02.1989).

However not all aid is directly linked to production and in some cases is provided to cover redundancy costs (much of the aid in France was of this nature).

TABLE V
Aids to shipbuilding as % of gross value
added in shipbuilding*

	B	DK	D	GR	E	F	IRL	I	LUX	NL	P**	UK
86-88	12,3	7,8	16,6	0	17,5	68,0	0	28,2%	0	3,8		25,0
81-86	(27,7)	(33,8)	(12,3)	(-)	(-)	(56,6)	(-)	(45,9)	(0)	(10,7)	-	(21,6)

* Cross value added figures were not available for recent years. Estimates have therefore been made and figures should be regarded as best estimates

** No value added figures available for shipbuilding in Portugal. Aids given 1986-88 (annual average) was 24 MECU.

Aid to coal mining

24. Table VI gives aids to coal mining expressed as ECU per employee in coal mining (no value added figures being available from Eurostat for coal mining). This shows a high and increasing level of aid in Belgium (84638 ECU per worker), France (67553 ECU per worker) and Germany (45505 ECU). The level of support is particularly high in Germany where the industry is still important: 156.500 workers compared with 10.500 in Belgium and 33.500 in France. Only the UK: 7970 ECU per worker with 130.400 total workers has declined to a level of around one tenth of the aforementioned three Member States. Of the new Member States Spain (19507 ECU per worker with 46.500 total workers) is much lower than the three biggest aid givers and Portugal gives very little (2476 ECU per worker with 1000 total workers). However it is somewhat dangerous to impute distortions of competition from a simple comparison of aid per employee. In the first place much aid is for social/redundancy costs (particularly in Belgium and France). Secondly some Member States apply a coal reference price system which keeps domestic prices above world market prices, which has an equivalent effect to an aid but which is not

taken into account in Table VI. Therefore the figures in Table VI should be taken as an overview and not an accurate indicator of the protection afforded by aids.

TABLE VI
average 1986-88 (1981-86)
Aids to coal mining as ECU per employee in coal mining*

a) 1986-88 b) (1981-86)
c) Percentage of aid to current production

	B	D	E	F	P	UK
a)	84638	45505	19507	67553	2476	7970
b)	(59531)	(28633)		(50279)		(11210)
c)	24%	52%	42%	16%	92%	48%

* Value added figures from Eurostat were not available for the coal mining sector.

25. For both railways and coal the aid was shown to be massive. Whilst there may only be limited competition between the railways in different Member States or between coal industries, the impact of these aids on the wider markets for transport and energy cannot be ignored. As the national markets in transport and energy become integrated with the completion of the common market, competition is becoming increasingly important. For example, road transporters in one Member State may be hindered in their attempts to transport goods by road in another Member State because of the aid to railways in the latter. Similarly, without aids to domestic coal producers, an electricity producer or distributor could, for example, find it

attractive to import electricity directly from another Member State. It is evident that forms of transport other than railways and inland waterways and forms of energy other than coal should be included in updates of the Survey at a later date in order to fully assess 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 the assessment of identifying inter-modal competition is made more difficult by the question of imputing infrastructure, environmental and policing costs.

Budgetary impact of aids

26. The total of the aids covered by this report constitute a large proportion of public expenditure (see Table VII). In Luxembourg (8%), Italy (6%), Spain (6%), Greece (6%) and Belgium (6%) aids are an important item of public expenditure. In the UK (3%), the Netherlands (2%) and Denmark (2%) aids become relatively less important as a share of public expenditure. In the other Member States (Germany, France, Ireland and Portugal) aids are between 4 and 5% of public expenditure.
27. It is also illuminating to see the volume of aids in relation to the budget deficit in the Member States. In all Member States, aids are a significant proportion of this deficit and in Germany they actually exceed it. In France and the UK aids are equal to the deficit. However, in countries such as the UK, France or Germany where the budget deficit is not a macro-economic problem this volume of aids may not be as critical as in certain Member States suffering chronic budget deficits. In Greece and Italy the budget deficit has been over 10% of GDP and aids are a significant proportion of this deficit (23% and 28% respectively). The budget deficit is also significant in Ireland (8%), Belgium (7%), Portugal (7%) and the Netherlands (6%) and again the part played by aids cannot be ignored.

TABLE VII
Budgetary impact of aids*
average 1986-88

	Aids as % of budget deficit	Budget deficit as % of GDP	Aids as % of public expenditure
B	43%	7%	6%
DK**			2%
D	139%	2%	5%
G	23%	13%	6%
E	54%	4%	6%
F	98%	2%	4%
IRL	34%	8%	5%
I	28%	11%	6%
L**			8%
NL	22%	6%	2%
P	33%	7%	5%
UK	100%	1%	3%

* The figures for public expenditure are taken from EUROSTAT: National Accounts code S60. The resulting percentages are not comparable with those published in the First Survey where they were calculated in relation to central Government spending (code S61), which is not yet available for 1987 and 1988.

** Budget surplus

Type of intervention

28. A breakdown by Member State of the different forms of aid (e.g. grants, loans, tax reductions etc) is shown in Table VIII for manufacturing without steel and shipbuilding. Steel in particular is excluded because it was heavily aided in the period 1981-85, often by way of injections of equity. Therefore unless it is left out this temporary phenomenon would make it difficult to isolate any underlying trends.

TABLE VIII
Aid element of different forms of aid as a % of total aid
in manufacturing, excluding steel and shipbuilding 1986-88 (1981-86)

		B	DK	D**	GR*	E	F	IRL	I	L	NL	P	UK
Aid form													
Grant	A1A	61 (61)	70 (44)	30 (32)	88 (95)	78	33 (26)	52 (68)	54 (48)	68 (62)	64 (62)	26	69 (81)
Tax reductions	A2A	11 (3)	0 (0)	55 (54)	0 (0)	0	12 (5)	37 (17)	36 (31)	9 (16)	30 (26)	80	3 (2)
Total	A	72 (64)	70 (44)	85 (86)	88 (95)	78	45 (31)	89 (85)	90 (79)	77 (78)	94 (88)	86	72 (83)
Equity Participation	B1A	6 (12)	0 (0)	**	9 (0)	19	18 (6)	6 (9)	7 (19)	5 (3)	0 (0)	12	16 (7)
Soft loan	C1A	12 (14)	29 (53)	6 (7)	0 (0)	2	15 (49)	1 (4)	3 (2)	18 (19)	6 (13)	2	7 (7)
Tax deferrals	C2A	0 (0)	0 (0)	8 (6)	0 (0)	0	4 (9)	0 (0)	0 (0)	0 (0)	0 (0)	0	3 (2)
Total	C	12 (14)	29 (53)	14 (13)	0 (0)	2	19 (58)	1 (4)	3 (2)	18 (19)	6 (13)	2	10 (9)
Guarantees	D1A	10 (10)	1 (1)	1 (1)	3 (5)	1	19 (7)	4 (2)	0 (0)	0 (0)	0 (0)	0	2 (1)
		100	100	100	100	100	100	100	100	100	100	100	100
Aids granted by positive budgetary expenditure		89 (97)	100 (100)	36 (38)	100 (0)	100	82 (86)	63 (83)	64 (88)	91 (84)	70 (74)	41	94 (96)
Aids granted by fiscal expenditure		11 (3)	0 (0)	64 (60)	0 (0)	0	18 (14)	37 (17)	36 (12)	9 (16)	30 (26)	60	6 (4)

For further details see Technical Annex

* Greek figures should be treated with caution. In addition for certain aids in Greece it was not possible to separate the positive budgetary aids from tax concessions.

** No figures available for equity participation in Germany - aid element considered as negligible.

29. This table shows that grants and direct tax reductions (Group A) continue to form the bulk of intervention in most Member States (Belgium 72%, Denmark 70%, Germany 85%, Spain 78%, Ireland 89%, Italy 90%, Luxembourg 77%, Netherlands 94%, Portugal 86% and UK 72%. France is by far the lowest with 45% which is an increase over 31% in the period 1981-86. The bulk of this intervention in these Member States was in fact direct grants, except in Germany (55% of total aids)(19), Ireland (37%), Netherlands (30%) and Portugal (60%) where direct tax breaks were significant. It should however be remembered that it is possible that aids given by way of tax expenditure (or social security reductions) have not been fully included in the present report because of the lack of full transparency in this area. Only an exhaustive study and detailed analysis of all fiscal and social security laws will reveal if any aids remain to be identified. Finally it should be noted that grants and direct tax reductions are the most transparent form of aid since all other forms of aid require some knowledge of, or assumption to be made about, the recipient in order to calculate the aid element. For example knowledge of the credit worthiness of the recipient is necessary to know under what conditions the market would give a loan or guarantee, which is then used as the benchmark in order to calculate the aid element of a (soft) loan or guarantee from the State(20).
30. The use of equity injections as a form of aid varies significantly between member States. In addition because equity injection is often used in large one-off rescue/privatisation operations as well as in public enterprises its use varies considerably from year to year even in the Member States where it is used. Equity injections are found only in Belgium (6% of total aids), Spain (19%), France (18%),

(19) Mostly aids to Berlin.

(20) For details of the methodology of calculating the aid element in different forms of intervention see Technical Annex.

Ireland (6%), Italy (7%)⁽²¹⁾, Luxembourg (5%), Portugal (12%) and UK (16%). Of all the forms of intervention equity injections are probably the least transparent.

31. Soft loans and tax deferrals (group C) are important only in Denmark (29%) and France (19%), where in fact they have declined considerably from the period 1981-86 (53% and 58% respectively). These measures are of some significance in Belgium (12%), Germany (14%), Luxembourg (18%) and to a lesser extent the UK (10%). In all these Member States soft loans predominate for this form of intervention except in Germany where just over half the total of this form of intervention is in tax deferrals (mostly rapid depreciation). It should be noted that soft loans are not as transparent a form of aid as grants (see point 32 above) and therefore in some cases it is possible that the element of aid contained in soft loans may be underestimated.
32. The aid element of guarantees is a significant part of aid only in France (19%) and Belgium (10%) and is found to a very small extent also in Denmark, Germany, Spain, Ireland and the UK (between 1 and 4% of total). Guarantees are used principally in rescue operations, trade/export and for SMEs. Guarantees, to an even greater extent than loans, are less transparent than grants because of the difficulties of calculating the aid element they contain.
33. It should be stressed that the figures for soft loans and guarantees represent the aid element of these interventions. The gross intervention (i.e. the volume of the loans or loans guaranteed) is normally much higher. Therefore the aid elements in category C and D does not reflect the gross budgetary resources committed by the State.

(21) The relatively low figure for Italy compared to previous figures is explained by the fact that the public holding companies are not making losses as they were in earlier years, when the large and persistent losses were covered by capital injections.

Objectives of aid

34. Out of the four sectors analysed in this report (i.e. agriculture/fisheries, manufacturing, transport and coal) manufacturing accounts for around 41% of the total. This objective is now analysed in greater detail in Tables IX and X. Aids to manufacturing are split up according to their primary objectives.

- a) Horizontal objectives⁽²²⁾
 - innovation/R & D
 - environment
 - SME
 - trade/export
 - economisation of energy
 - general investment
 - other objectives

- b) Particular sectors⁽²³⁾

- c) Regional aids
 - regions under Article 92(3)(a)
 - Berlin and Article 92(2)(c) aids
 - other regions (Article 92(3)(c))

Steel and shipbuilding are excluded for the reasons explained previously because their inclusion would make it difficult to discern any underlying trends.

In allocating aid by its primary objective, most difficulty was experienced with innovation/R and D aids. In some Member States much financing of R and D was via sectorally specific programmes, that in some cases went beyond innovation/R and D as far as aiding investment in the sector. In some Member States small and medium companies had

(22) Employment and training aids are not given.

(23) Individual cases treated by the Commission have been classified as aid to particular sectors.

R and D programmes. Such aids have been classified as aids to particular sectors or aids to SMEs but their classification as aids to R and D would have had a significant impact on the figure for R and D spending recorded. In other Member States although innovation/R and D aids had certain sectoral orientations, they were not considered sectorally specific enough to be classified as aids to particular sectors. In addition it is likely that the innovation/R and D aids in most Member States are concentrated on a few identifiable sectors. Finally the dividing line between general investment aid and innovation/R and D was not always clear. Therefore it is difficult to have comparable figures between Member States in Tables IX and X for innovation/R and D. Mention will be made of these problems for the Member States where they significantly affect the figures.

TABLE IX

Percentage of aid according to sector and function
Average 86-88 (average 81-86) in %

	B	IK	D	GR	E	F	IRL	I	LUK	NL	P	UK	EEC12(10)
Industry/Services Horizontal objectives	70 (67)	92 (92)	35 (40)	41 (64)	19	51 (67)	47 (26)	34 (35)	44 (43)	81 (59)	71	39 (45)	41 (47)
Innovation, R&D	9 (13)	51 (41)	18 (22)	6 (7)	8	10 (4)	5 (3)	5 (2)	6 (5)	24 (11)	2	11 (16)	11 (9)
Environment	0 (0)	4 (31)	1 (1)	0 (0)	0	1 (0)	0 (0)	0 (0)	0 (0)	2 (3)	0	1 (0)	1 (0)
S.M.E.	25 (14)	1 (1)	8 (8)	4 (4)	2	6 (1)	6 (3)	10 (7)	21 (14)	36 (30)	3	10 (4)	9 (6)
Trade/Export	13 (11)	22 (28)	2 (2)	32 (53)	1	28 (41)	37 (20)	7 (10)	3 (5)	2 (4)	2	10 (21)	11 (16)
Economisation of Energy	2 (1)	14 (16)	3 (3)	0 (0)	1	1 (2)	0 (0)	1 (1)	0 (0)	5 (4)	1	0 (0)	1 (1)
General Investment	12 (16)	0 (2)	1 (2)	0 (0)	5	7 (18)	0 (0)	3 (2)	15 (19)	13 (7)	62	7 (4)	5 (5)
Other objectives	8 (12)	0 (0)	3 (3)	0 (0)	1	0 (0)	0 (0)	8 (12)	0 (0)	0 (1)	1	0 (0)	3 (9)
Industry/Services Particular Sectors	9 (11)	0 (2)	4 (5)	20 (16)	78	41 (25)	14 (30)	11 (21)	0 (0)	4 (23)	24	24 (15)	20 (16)
Regional Aids Regions under 92(3)a	21 (21)	9 (7)	60 (55)	39 (20)	3 *	9 (5)	39 (44)	55 (44)	56 (57)	15 (18)	5	37 (34)	39 (37)
Other regions Berlin and 92(2)(c)	21 (21)	9 (7)	7 (6)	39 (20)	3	3 (2)	39 (44)	47 (39)	56 (57)	15 (18)	5	8 (7)	17 (18)
			54 (49)			5 (3)		7 (5)				29 (33)	9 (10)
													13 (9)
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100 (100)

* No breakdown available in Spain for regional aids between regions under 92(3)(a) and other regions

TABLE X

Amounts of aid according to sector and function

	Average 86-88 (average 81-86						in MECU						
	B	DK	D	GR	E	F	IRL	I	UK	NL	P	UK	EEC 12 (10)
Industry/Services Horizontal objectives	714 (637)	200 (193)	2623 (2658)	429 (879)	366	2629 (3885)	193 (122)	3051 (3906)	15 (9)	840 (580)	299	1222 (1823)	12581 (16494)
Innovation, R&D	90 (126)	111 (86)	1300 (1486)	61 (90)	162	496 (253)	19 (11)	486 (302)	2 (1)	245 (106)	8	350 (623)	3330 (3035)
Environment	0 (0)	8 (7)	103 (92)	0 (0)	6	27 (6)	0 (0)	0 (0)	0 (0)	17 (27)	0	16 (0)	177 (132)
S.M.E.	258 (128)	3 (2)	614 (512)	39 (55)	36	289 (85)	24 (16)	885 (793)	7 (3)	371 (295)	11	301 (149)	2838 (2058)
Trade/Export	133 (108)	48 (60)	132 (106)	329 (733)	28	1428 (2392)	150 (95)	645 (1090)	1 (1)	17 (35)	8	320 (860)	3239 (5514)
Economisation of Energy	25 (8)	30 (33)	215 (180)	0 (0)	12	43 (94)	0 (0)	56 (127)	0 (0)	53 (44)	5	14 (18)	453 (501)
General Investment	127 (152)	0 (5)	51 (105)	0 (0)	97	346 (1054)	0 (0)	278 (255)	5 (4)	135 (65)	262	207 (158)	1508 (1913)
Other objectives	81 (114)	0 (0)	208 (175)	0 (0)	25	0 (2)	0 (0)	701 (1339)	0 (0)	2 (9)	5	14 (14)	1036 (3338)
Industry/Services Particular Sectors	94 (108)	1 (3)	320 (314)	207 (221)	1505	2110 (1463)	56 (138)	1014 (2313)	0 (0)	39 (227)	99	729 (614)	6174 (5802)
Regional Aids	215 (203)	17 (14)	4473 (3704)	406 (276)	65	443 (438)	159 (200)	4916 (4804)	19 (12)	161 (172)	23	1149 (1575)	12037 (13078)
Regions under 92(3)a				406 (276)		161 (132)	159 (200)	4261 (4248)			23	242 (270)	5252 (6459)
Other regions	215 (203)	20 (14)	494 (427)		65 *	273 (307)		655 (556)	19 (12)	161 (172)		904 (1305)	2806 (3344)
Berlin and 92(2)(c)			3979 (3277)										3979 (3277)
TOTAL	1023 (948)	218 (210)	7416 (6676)	1042 (1376)	1936	5182 (5786)	408 (460)	8981 (11023)	34 (22)	1040 (978)	421	3100 (4012)	30792 (35373)

* No breakdown available in Spain for regional aids between regions under 92(3)(a) and other regions

35. Table IX shows that aids to manufacturing having horizontal objectives (i.e. no special sectoral or regional objective) are the most important schemes at the level of the Community (41%) and are particularly important in Belgium (70%), Denmark (92%), France (51%), Netherlands (81%) and Portugal (71%). The most important objectives for horizontal schemes at the level of the Community are R & D (11%)(24), SME (9%), trade/export (11%) and general investment aids (5%). Environmental aids (1%) and economisation of energy (1%) are of little significance. Whilst many of these horizontal aids may promote an objective in the Community interest it is very difficult for the Commission to assess fully their impact on competition because no or very little information is available on their sectoral and regional repercussions. In extreme cases, notably general investment schemes, the primary objective promoted by the aid is so lacking in specificity that no general judgement can be made and the Commission is bound to examine all major cases of application(25). Although it may not at first appear so, certain aids having primarily horizontal objectives may be used as instruments of industrial policy and have more in common with sectoral aids. This is true particularly for R & D schemes, general investment schemes and to a lesser extent those having other objectives. Most of the schemes making up these categories involve a large measure of discretion for the awarding authorities and could be used to promote or defend national champions in each Member State that are coming under pressure from increased competition as the internal market nears completion.

36. As regards the trend of horizontal aids at the level of the Community there has been a slight decline from around 47% of total manufacturing aids in 1981-86 to 41% in 1986-88. Nearly all the decline has been due to a reduction of aids to trade/export from 16% to 11% - in fact reductions in France and the UK and to a less extent Italy accounted for all this decline in trade/export aid. There has been a small but significant increase in aid to R and D and SMEs.

(24) The R & D aid figures substantially underestimate Government support for R & D.

(25) This remark would also apply to many of the aids falling within the category "other objectives".

37. Aids to particular sectors are on average less important in the Community (20%) than those having horizontal objectives although they are of great importance in Spain (78%) and to a less extent France (41%). This type of aid is the normal instrument for carrying out industrial policy although as described above certain horizontal aids, notably general investment aids, may also be used to the same end. Over the period 1981-86 to 1986-88 aids to sectors of the Community level have increased from 16% to 20% of total Community aids in manufacturing (always excluding steel and shipbuilding). This cannot be taken to constitute any underlying trend because large individual rescue operations (when spending is artificially attributed to one year) make this item appear somewhat volatile. The increase over this period was due primarily to an increase in France which itself was due primarily to two big individual rescue operations.
38. Regional aids like aids to particular sectors are on average less important in the Community (39%) than those having horizontal objectives. However in Germany (60%), Italy (55%) and Luxembourg (56%) they are the most important category, and are also relatively significant in Ireland (39%) and the UK (37%)⁽²⁶⁾. Regional aids are of very little importance in Denmark (9%), Spain (3%) and France (9%). In fact most of regional aids granted is in 92(3)(a) regions or Berlin/92(2)(c) regions (17% and 13% of total aids respectively with only 9% in 92(3)(c) regions). Furthermore of the spending in 92(3)(a) regions, 81% is in the Mezzogiorno. Aids to Article 92(3)(a) regions without the Mezzogiorno are in fact only 3% of total aids to manufacturing, i.e. about one quarter of the aids to exports or one seventh of sectoral aids. The Commission priority for cohesion is apparently not reflected in national state aid policy. In fact without the two items of the Mezzogiorno and Berlin, regional aids would only be 11% of total manufacturing aids not their current 39%.

⁽²⁶⁾ Most of the general investment aid in Portugal (62% of total) is probably used for national/regional development purposed since the whole of Portugal, like Ireland and Greece, is classified as a region falling under 92(3)(a).

Outside these special categories of regions, regional aids falling under 92(3)(c) are only 9% of total manufacturing aid, i.e. slightly less than the aids to trade/export. The proportion of aids going to regional policy has been relatively stable over the period considered not only at the Community level but also in each individual Member State.

39. 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 (70% of total) of which R & D (9%), SME (25%), trade/export (13%), general investment aid (12%) and other objectives (8%)(27) stand out. Regional aids (21%) are relatively high for a geographically compact Member State without any 92(3)(a) regions.
- In Denmark nearly all aids are horizontal (92%), and these are composed essentially of R & D (51%), trade/export (22%) and economisation of energy (14%). Apart from shipbuilding there are no industry specific aids. Regional policy (9% of a very low overall total) is not significant. Some of the aid to economisation of energy is for R and D and would have increased that figure by around 10% had it been so classified.
- In Germany the only item of any significance are Berlin/92(2)(c) aids (54%) and R & D (18%) and to a less extent SMEs (8%). The R & D aids are by far the biggest in the Community and in absolute terms are around three times the UK, French and Italian levels. Industry specific aids (outside shipbuilding) are noteworthy only for their low level in Germany (4%) and this is virtually all accounted

(27) Some of the spending in "other objectives" are the capital injections made by regional investment bodies. Further work is necessary to reclassify it into a more specific category.

for by aerospace. Some of the aid for SMEs and/or particular sectors is for R and D and would have increased that figure by around 20% had it been so classified.(28)

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

- In Spain 78% of aids are industry specific, of which the vast bulk has been large rescue/individual case intervention to restructure industry(29). No other item apart from R & D (8%) is of any significance.

- In France industry specific intervention is particularly important (41%). Whilst this figure has temporarily been increased by intervention in two large individual cases, there is still an important volume of aid directed specifically at certain sectors, although in certain cases to R and D in particular sectors or in the form of parafiscal levies(30). Trade/export (28%) is the other major item of spending, although this has reduced substantially from 41% in 1981-86. General Investment aids are also significant (7%) but declining. SME aids have grown from virtually nothing to 6%. R & D has also grown to 10%. If the R & D element in aid for particular sectors and for economisation of energy had been classified as such it would have nearly doubled the figure for this type of aid. Regional policy is growing but still not very significant (92(3)(a) regions 3%, other regions 5%).

(28) In addition R & D aids are difficult to compare between Member States because the figures exclude R & D contract spending and funding of semi-public research institutes.

(29) These figures exclude steel and shipbuilding which would have increased even further this dominance of industry specific intervention.

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

- In Ireland two items form the bulk of spending - IDA regional development aids (39%) and export sales relief (37% - which will in fact be phased out by 1990). Industry aids (14%) are the only other item of note and this is related principally to tourism and related industries.

- In Italy the main items of spending are the aid to 92(3)(a) regions (Mezzogiorno 47%), SMEs (10%), trade/export (7%) and other objectives (8%)⁽³¹⁾. In addition because of the relatively large overall volume of aid in Italy, even objectives that do not appear relatively important in Italy, are in absolute terms quite big compared to spending on the same objective in other Member States. In particular R & D is only 5% of total spending in Italy, but in absolute terms is comparable to that in France and bigger than in the UK, where aids are 10% of total. General investment aids (3%) and sectoral aids (11%) are relatively unimportant in Italy. However in absolute terms Italy ranks after the largest donors, France and Spain. Furthermore this high level of spending in Italy on particular sectors in 1986-88 is despite a large fall from the higher figure in 1981-86, due primarily to less calls for funding from public holding companies. Finally aids for other regions (92(3)(c)) are only 7% of total aids in Italy, but in absolute terms (655 million ECU) this is the biggest volume of aid devoted to this objective in the Community, except in the UK figure (which is 29% of spending in the UK).

- In Luxembourg three objectives account for the quasi-totality of spending - regional aids (56%), SMEs (21%) and general investment aid (15%). The figure of 56% regional aids, which could seem excessively high for the Member State in question, can be explained mainly by numerous aid projects in favour of SME which are concentrated in the steel reconversion areas.

(31) Many items attributed to other objectives in the First Survey have either been reduced or reallocated to more specific objectives as a result of contact with the Italian Government. Further contact with the Italian authorities will be necessary to allocate this item more specifically - see Annex 1 for more details.

- In the Netherlands horizontal aids are by far the biggest item and have increased from 59% to 81% of the total between 1981-86 and 1986-88. Within horizontal aids R & D (24%, an increase from 11%), SMEs (36% an increase from 30%) and general investment aid (13% an increase from 7%) stand out. Even the low absolute spending in the Netherlands on environment (2%) and economisation of energy (5%) is much more important relatively than at the Community level. Particular sector aids have declined rapidly from 23% in 1981-86 when they were well above the Community average to only 4% in 1986-88 which is well below the Community average. Regional aids (15%) are of some significance even if declining (from 18%) for a geographically compact Member State without any 92(3)(a) regions.

- In Portugal - horizontal aids (71%) are by far the most significant which is essentially composed of general investment aid (62%). This general investment aid is more akin to the regional aids given in other 92(3)(a) regions which like Portugal cover the whole territory of a Member State - i.e. Ireland and Greece. Specific sector aid (24%) is also significant and essentially comprises a comprehensive package for tourism related industries, capital injections to cover the losses of state controlled enterprises and an extensive industrial reconversion programme.

- Finally the UK has a structure of aids spending not dissimilar to the Community average only at a much lower proportion of value added. Horizontal aids (39%) are the biggest group and R & D (11%), SMEs (10%), trade/export (10%) and general investments (7%) are the main items. Trade/export (10%) has declined rapidly from 21% in 1981-86. Regional aids are 37% of total spending of which 8% is for 92(3)(a) regions (N. Ireland) and 29% for other regions which is the biggest single item. Particular sector aids

(24%) have grown (from 15%) in relative importance over the period under consideration, although the growth in real absolute terms was much smaller. The figure in 1986-88 is only higher because of the large item of spending on one case attributed to these years (see point 23 above) and so the underlying trend is probably downward.

Total volume of aid

40. It can be seen from Table X1a and Chart III that the volume of national state aid given in the sectors covered by this report (average 1986-88) in the Community was 82.3 billion ECU and the breakdown is as follows - Germany: 23,9 billion ECU, Italy: 20,6 billion ECU, were the biggest aid givers followed by France: 15,3 billion ECU and UK: 6,6 billion ECU. Spain: 5,9 billion ECU gave almost as much as the UK, followed by Belgium: 3,9 billion ECU. Of the remaining Member States only the Netherlands: 2,4 billion ECU and Greece: 1,3 billion ECU gave more than 1 billion ECU. A comparison of these results with the average aid for 1981-86 of the First Survey show that aid granted declined in all Member States except Germany and the Netherlands. The largest relative declines were seen in the UK, France and Luxembourg.

Table XI

Total volume of aid in billion ECU

Average 1986-88 (average 1981-86)

a) national state aid - b) Community intervention

	D	I	F	UK	E	B	NL	GR	DK	P	IRL	LUX	EEC 12
a)	23.9 (20.5)	20.6 (24.2)	15.3 (19.1)	6.6 (10.8)	5.9 (-)	3.9 (4.4)	2.4 (2.3)	1.3 (1.6)	0.9 (1.0)	0.7 (-)	0.7 (1.0)	0.2 (0.3)	82.3 * (85.2)
b)	4.8 (3.5)	5.2 (5.0)	6.7 (5.1)	3.1 (3.0)	1.8 (-)	0.9 (0.9)	3.1 (1.9)	1.9 (2.0)	1.2 (1.0)	0.7 (-)	1.5 (1.3)	0.0 (0.0)	24.1 ** (23.7)

* EEC 10 = 76,2

** No breakdown by Member States was available for 1986-88 for Community R & D aids (DG XIII) and ECSC aids. These have not been included in the total. 1986-88 average with these aids 31,8 billion ECU and 1981-86 25,1 billion ECU.

41. In order to put these figures in a broader context, total Community intervention is given in Table XIb) and Chart IV(32). In the period under reference (1986-88) national aids are still much more important than Community intervention (ratio 3:1) although in the Netherlands, Greece, Denmark, Portugal and Ireland Community intervention is

(32) A more detailed breakdown of Community intervention is given in Annex II.

- 40 -
 CHART III
 TOTAL AIDS at 1987 prices

(average 1981-86/1986-88)

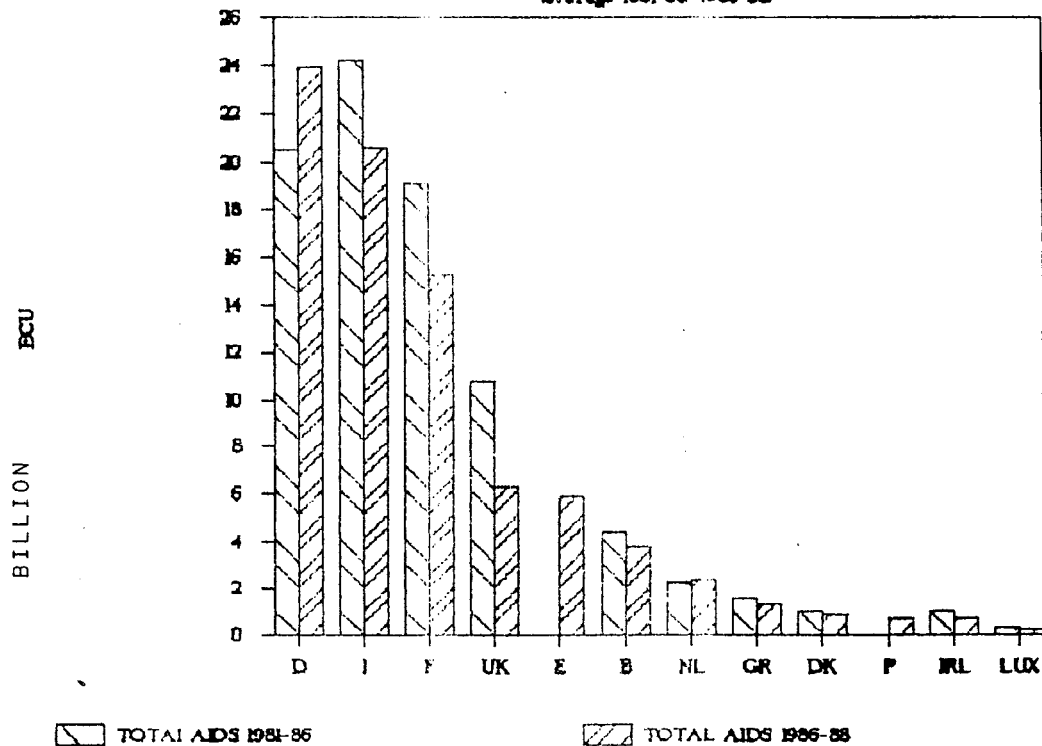
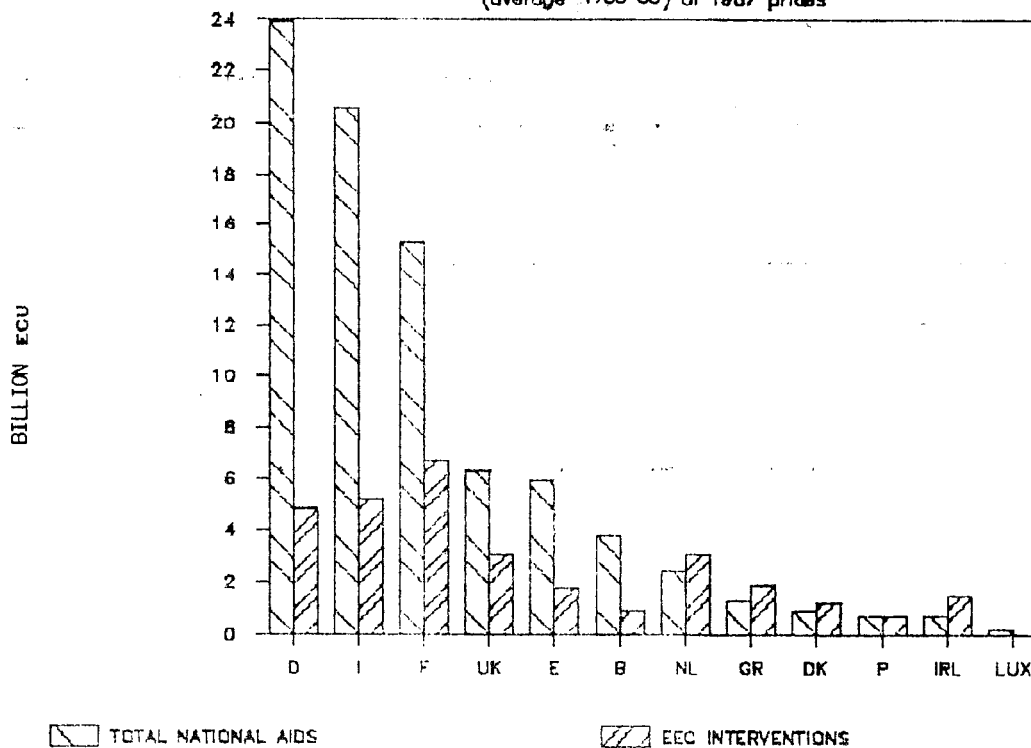


CHART IV

NATIONAL AIDS v EEC INTERVENTIONS

(average 1986-88) at 1987 prices



greater than national state aids. It should also be noted that Community spending on agriculture alone accounts for 80% of this Community intervention. In the Netherlands, Greece, Denmark and Ireland, Community spending on agriculture alone exceeds total national state aids. In fact Portugal is the only Member State where Community spending on agriculture is less than half of total Community spending (see Annex II Table II). However, national aids cannot be compared directly to Community intervention. Whereas national aids included in this report are paid directly to enterprises, the bulk of Community interventions are not. An exception is the Social Fund for which there is no counterpart in national aid data. Community intervention on the whole was in the period under consideration either for infrastructure or reimbursements to national governments for aids already awarded (in which case some double counting occurs if Community interventions and national aids are added together) or for the costs to the Community of forms of intervention related to the market aspects of the Common Agricultural Policy and especially its price support. In this last case which also constitutes the bulk of Community spending it is difficult to draw conclusions from the distribution of spending between Member States since intervention buying, wherever it takes place, affects prices throughout the whole Community. Therefore unless otherwise stated the results given below relate purely to national state aids and not to Community intervention.

42. From the macro-economic point of view, it is also interesting to look at figures for state aid expenditure in relation to the size of the economy and size of the workforce. Consequently, Table XII gives the total aid expenditure (aid element), expressed as a a) percentage of Gross Domestic Product (GDP) and b) per employee.

TABLE XII(33)

average 1986-88 (average 1981-86)

a) Total aids as % of GDP b) total aids per employee in ECU

L	B	I	GR	IRL	D	E	P	F	NL	UK	DK	EEC 12
4.1 (6.0)	3.2 (4.1)	3.1 (4.0)	3.1 (2.5)	2.7 (4.0)	2.5 (2.5)	2.3 (-)	2.3 (-)	2.0 (2.7)	1.3 (1.5)	1.1 (1.8)	1.0 (1.3)	2.2 (2.8)
1283 (1620)	1061 (1243)	998 (1188)	362 (449)	662 (891)	942 (817)	521 (-)	175 (-)	726 (906)	454 (451)	261 (455)	334 (406)	687 (791)

43. Within the limits of this survey, this table confirms the results of the First Survey in that the large aid givers remain Luxembourg (4,1%)⁽³⁴⁾, Belgium (3,2%) and Italy (3,1%) and the low aid givers stay the Netherlands (1,3%), the UK (1,1%) and Denmark (1,0%). Germany (2,5%), Spain (2,3%) and France (2,0%) may be classified as being around the Community average (2,2%)⁽³⁵⁾. Greece (3,1%)⁽³⁶⁾ and Portugal (2,3%) appear to give aid above or at the Community average (2,2%) when the aid is expressed as a percentage of GDP, but much less when the aid is expressed per employee (Greece 362 ECU per employee, Portugal 175 ECU, EEC 687 ECU). This is because of their low GDP per head. A similar but less marked pattern can be seen for Ireland (2,7% of GDP and 662 ECU).

44. From the different figures presented in Table XII it can be seen that on the whole there was a decline in total aid given at the level of the Community (from 2,8% to 2,2% of GDP and from 791 to 687 ECU per employee). However Germany (stable at 2,5% of GDP) and to a lesser extent the Netherlands (from 1,5 to 1,3% of GDP) did not follow this trend and according to certain indicators registered a

(33) Figures for agriculture aid for Italy, Spain, Luxembourg and Netherlands are based on estimates and extrapolations, see point 20.

(34) Luxembourg's high figure is explained almost totally by the extremely high aid to railways - see point 12 of Technical Annex to First Survey.

(35) A similar conclusion can be drawn from an analysis of the figures in terms of ECU per employee.

(36) Because little reliance can be put on the Greek figures (see point 12) Greece is not analysed as fully as the other Member States, particularly as regards aids to manufacturing.

small increase (Germany from 817 to 942 ECU) or was stable (Netherlands from 451 to 454 ECU). The UK, Ireland and to a lesser extent France and Luxembourg showed a significantly bigger decrease than the Community average. The other Member States (i.e. Italy, Belgium and Denmark) all declined by approximately the same proportion as the Community average.

45. The reasons for these differences in total aid between the Member States can be seen from an analysis of aid by objective which is given in Table XIIIa) and b).

This table shows the total aid in the four major objectives - agriculture/fisheries, manufacturing, rail and coal in constant 1987 prices for the period 1981-86 and 1986-88. In the Member States that registered an increase in total aid - Germany and the Netherlands - the increase was seen in each of these objectives except for manufacturing aid which in the Netherlands was stable and in Germany only increased slightly. In addition in Germany the increases in spending was particularly noticeable for agriculture/fisheries and coal. In all other Member States the overall decline in total aids was explained by an absolute real reduction in aid to each of the different objectives. The only exception was a small increase in spending on railways in Luxembourg and Denmark (which was not big enough to offset the reduction in aid to the other objectives) and an increase in agricultural aids in Italy. Particularly large relative reductions have been seen in the UK (for all sectors but especially coal and agriculture/fisheries), Ireland (agriculture) and in Luxembourg (for manufacturing⁽³⁷⁾). It should be noted that aids to

(37) This is explained by the large reduction of aids to steel.

TABLE XIII A
average for 1986-88 (average 1981-86)

MECU of spending by main objectives

	AGRICULTURE & FISHERIES	MANUFAC- TURING	RAIL- WAYS	COAL	TOTAL
B 86-88 (81-86)	171 (185)	1054 (1485)	1447 (1543)	1181 (1231)	3853 (4444)
DK 86-88 (81-86)	239 (309)	275 (363)	378 (349)	- -	892 (1022)
D 86-88 (81-86)	2367 (1525)	7639 (7261)	6579 (6370)	7295 (5373)	23880 (20529)
G 86-88 (81-86)	150 (6)	1043 (1382)	109 (205)	- -	1302 (1593)
E 86-88 (81-88)	220 -	2929 -	1827 -	922 -	5898 -
F 86-88 (81-86)	2206 (3335)	5667 (8097)	4952 (5043)	2444 (2615)	15269 (19090)
IRL 86-88 (81-86)	171 (317)	408 (501)	130 (160)	- -	709 (978)
I 86-88 (81-86)	3288 (2541)	9563 (13407)	7790 (8322)	- -	20641 (24270)
L 86-88 (81-86)	17 (23)	34 (92)	165 (144)	- -	216 (259)
NL 86-88 (81-86)	534 (477)	1070 (1088)	758 (708)	- -	2362 (2273)
P 86-88 (81-86)	158 -	462 -	108 -	2 -	729 -
UK 86-88 (81-86)	779 (1328)	3570 (5374)	1085 (1747)	1123 (2375)	6557 (10824)
EEC 86-88 (81-86)	10300 (9727)	33714 (43309)	25328 (24476)	12967 (11596)	82308 (89108)

TABLE XIII B
average for 1986-88 (average 1981-86)

Percentage of spending by main objectives

	AGRICULTURE & FISHERIES	MANUFAC- TURING	RAIL- WAYS	COAL	TOTAL
B 86-88 (81-86)	4% (4%)	27% (33%)	38% (35%)	31% (28%)	100% (100%)
DK 86-88 (81-86)	27% (30%)	31% (36%)	42% (34%)	0% (0%)	100% (100%)
D 86-88 (81-86)	10% (7%)	32% (35%)	28% (31%)	31% (26%)	100% (100%)
G 86-88 (81-86)	12% (0%)	80% (87%)	8% (13%)	0% (0%)	100% (100%)
E 86-88 (81-88)	4%	50%	31%	16%	100%
F 86-88 (81-86)	14% (17%)	37% (42%)	32% (26%)	16% (14%)	100% (100%)
IRL 86-88 (81-86)	24% (32%)	58% (51%)	18% (16%)	0% (0%)	100% (100%)
I 86-88 (81-86)	16% (8%)	46% (63%)	38% (29%)	0% (0%)	100% (100%)
L 86-88 (81-86)	8% (9%)	16% (36%)	76% (56%)	0% (0%)	100% (100%)
NL 86-88 (81-86)	23% (21%)	45% (48%)	32% (31%)	0% (0%)	100% (100%)
P 86-88 (81-86)	22%	63%	15%	0%	100%
UK 86-88 (81-86)	12% (12%)	54% (50%)	17% (16%)	17% (22%)	100% (100%)
EEC 86-88 (81-86)	13% (11%)	41% (48%)	31% (27%)	16% (14%)	100% (100%)

CHART V a)
 EXPENDITURE TRENDS BY MAIN OBJECTIVES
 AVERAGE 81-86/86-88
 in MECU

GERMANY - ITALY
 FRANCE - UK

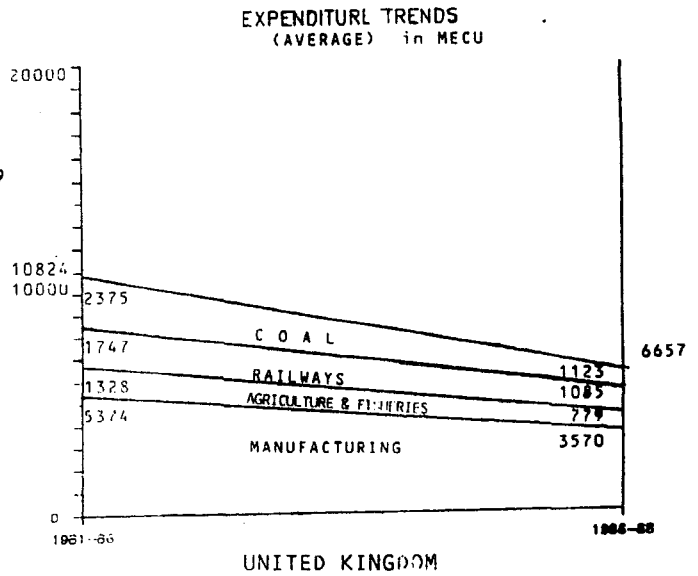
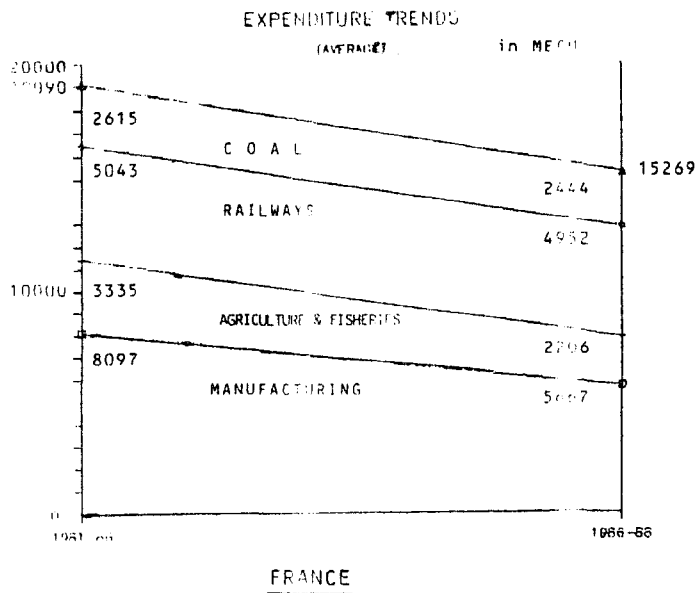
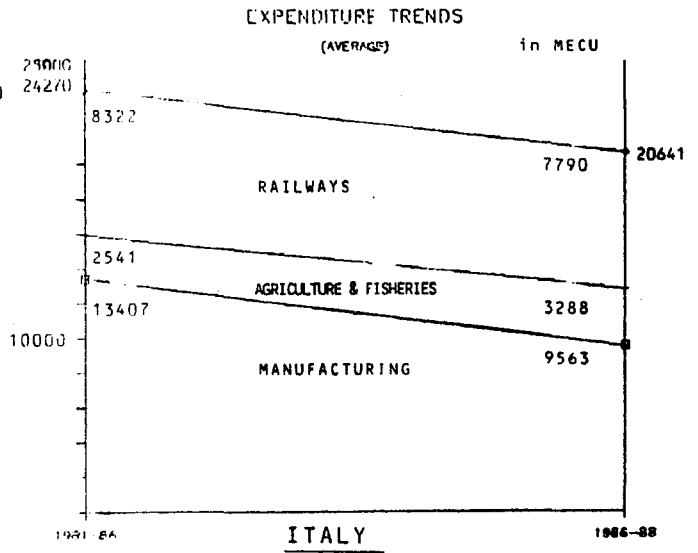
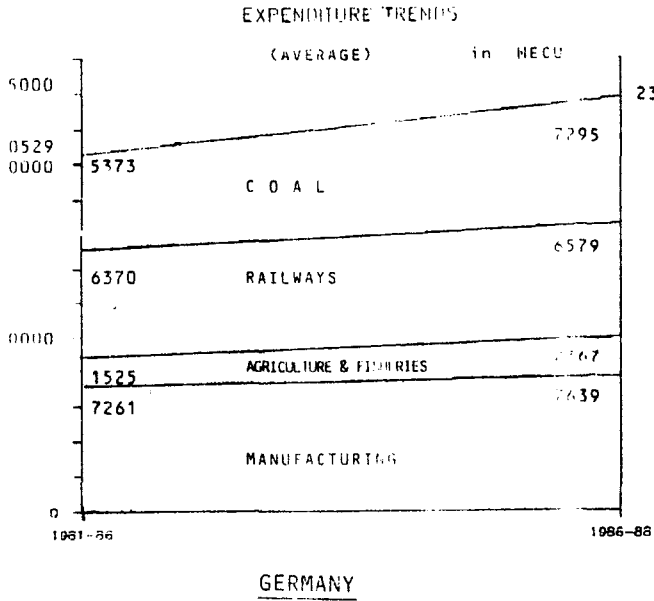


CHART V b)

EXPENDITURE TRENDS BY MAIN OBJECTIVES

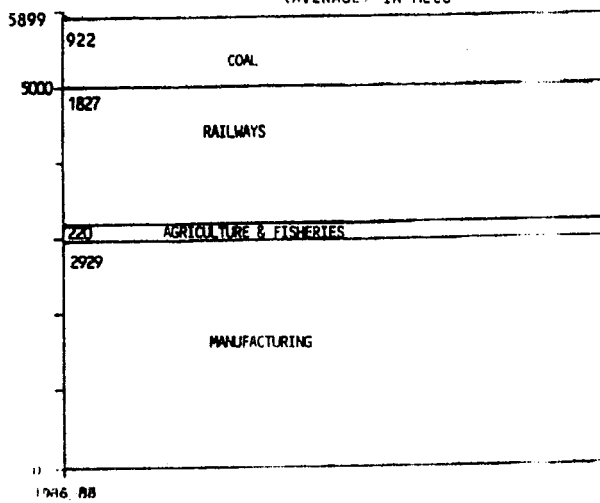
AVERAGE 81-86/86-88

IN MECU

SPAIN - BELGIUM

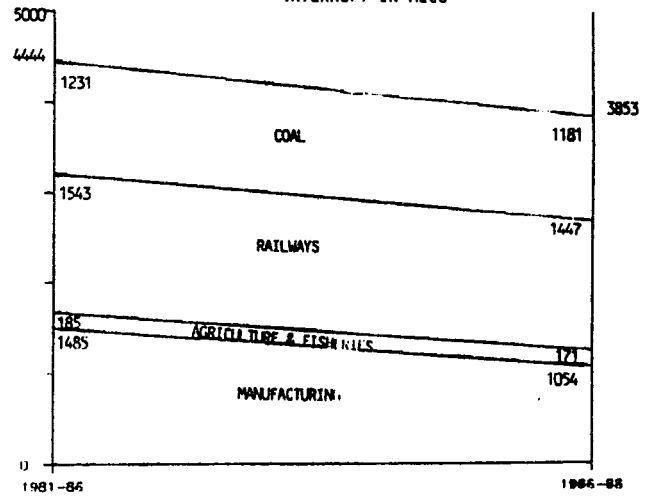
NETHERLANDS - GREECE

EXPENDITURE TRENDS
(AVERAGE) IN MECU



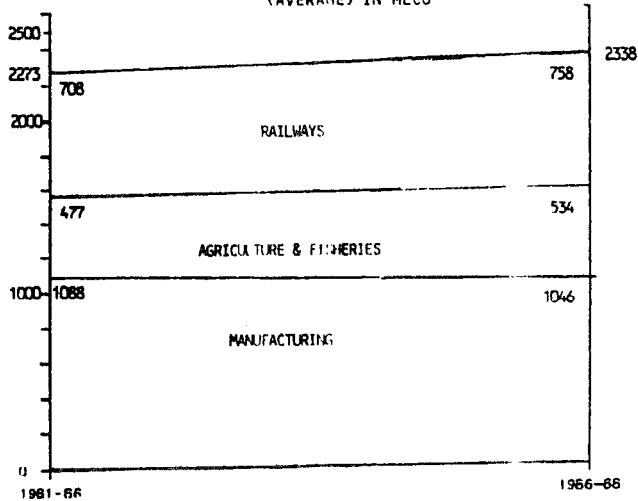
SPAIN

EXPENDITURE TRENDS
(AVERAGE) IN MECU



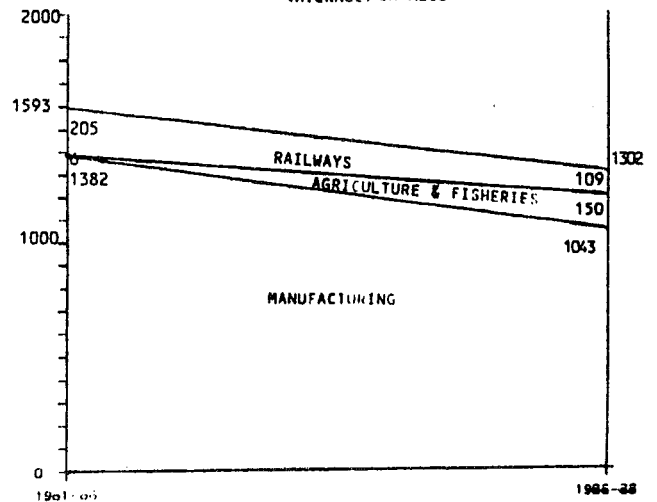
BELGIUM

EXPENDITURE TRENDS
(AVERAGE) IN MECU



NETHERLANDS

EXPENDITURE TRENDS
(AVERAGE) IN MECU



GREECE

CHART V c)

EXPENDITURE TRENDS BY MAIN OBJECTIVES

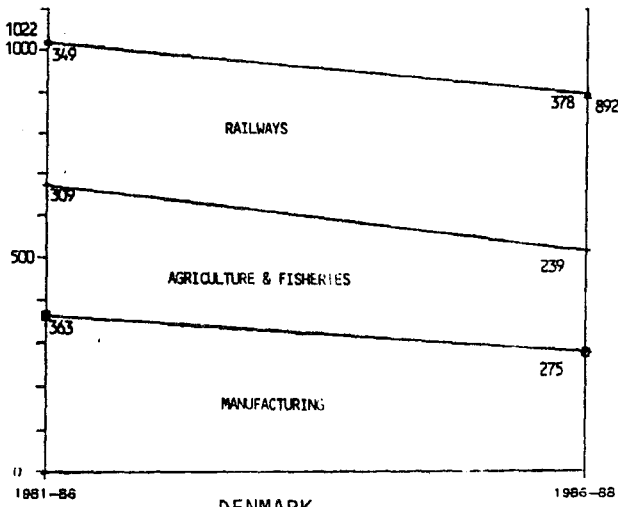
AVERAGE 81-86/86-88

IN MECU

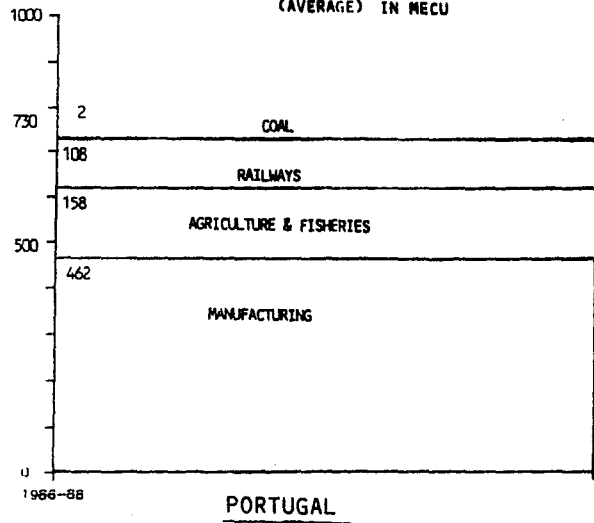
DENMARK - PORTUGAL

IRELAND - LUXEMBOURG

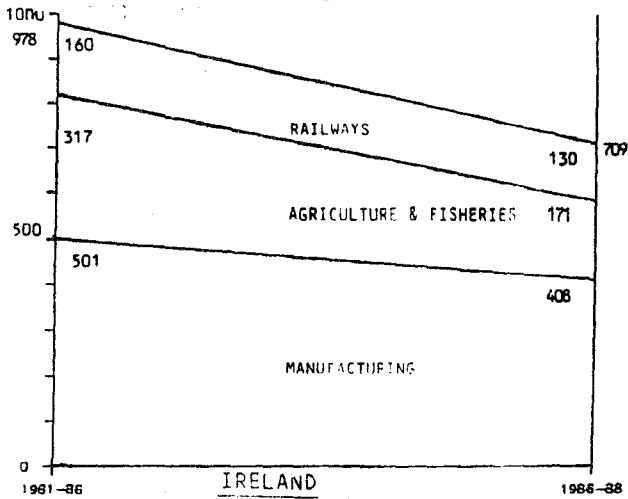
EXPENDITURE TRENDS
(AVERAGE) IN MECU



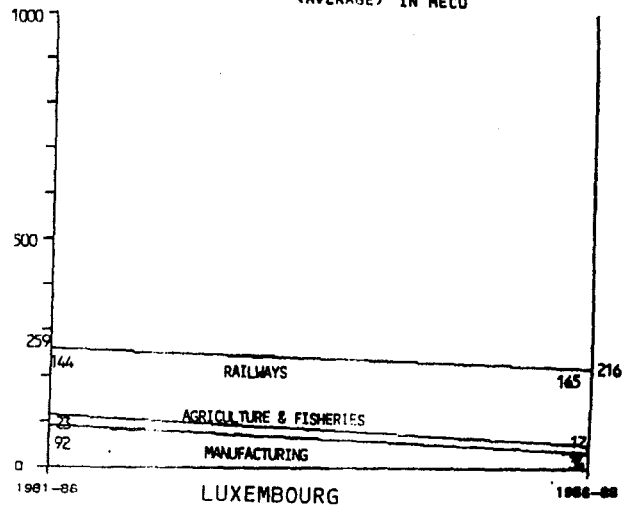
EXPENDITURE TRENDS
(AVERAGE) IN MECU



EXPENDITURE TRENDS
(average) IN MECU



EXPENDITURE TRENDS
(AVERAGE) IN MECU



manufacturing account for 41% of aids in the Community with railways being 31%, coal 16% and agriculture 13%⁽³⁸⁾. The volume and trend of aid for these four major sectors appear clearly from the graphs for each Member State (Chart V).

(38) Coal forms a significantly higher proportion of aid in the few Member States where it is found. For agriculture see also point 20.

PART III - CONCLUSIONS

46. The present report has continued the work of increasing transparency that was started in the First Survey by giving a detailed breakdown of aids by volume, trend, form and objective pursued. The main conclusion is that there has been a slight overall decline in total aid seen in all Member States except Germany and the Netherlands. Aids to manufacturing alone also registered this decline in all Member States except in Germany and the Netherlands. However this is not sufficient to conclude that aid to manufacturing is on a generally downward trend as is widely believed after the high aid levels seen in the economic crisis of the early 1980's. If abstraction is made for the aid to steel (because of the temporarily high aid between 1981-85) there is no real discernible downward trend in aid to manufacturing at the level of the Community. In fact only Italy, the UK and Denmark give clearly less aid to manufacturing in the period covered by this Second Survey for (1987-88) as opposed to aid given in the period covered by the First Survey (1981-86). In the other Member States, aid to manufacturing was either stable or registered a small increase.
47. This Second Survey has therefore confirmed the conclusions of the First Survey in that the sheer volume and proliferation of aids means that the Commission must take into account the negative impact these aids could have on the unity of the common market, competition and therefore the successful completion of the internal market. A firm aid discipline is a prerequisite to the increased competition without which very little of the projected gains from the internal market will be realised. In addition firm aid disciplines will to be concentrated on aids awarded in the richer regions (be they horizontal or sectoral in objective) and such a policy will therefore increase the aid differentials in favour of the peripheral regions. This policy of tightening up against aids not having a regional objective will help promote the development of peripheral regions as much as the Commission's favourable policy towards these regions themselves. Competition policy and cohesion are therefore complements

and not contradictory. If aids policy is to be adapted to the changing economic circumstances created by the progressive development and integration of the common market, it is vital that the transparency brought about by this report be continued. The Commission will therefore update and publish on a regular basis an analysis of the volume, trend, form and objective of aids.

48. The Commission's initiatives in the field of state aids inside the common market are also compatible with its interests of promoting an open and free international trading system. By eliminating trade distorting aids that are incompatible with the internal market and by reducing overall aid levels, the Community will underline its commitment to free trade and the GATT which is its cornerstone. The Commission will encourage its trading partners to adopt as transparent and vigorous policies themselves. If they do so it is hoped that aids will become less a cause of dispute than they are now. This will benefit all the main actors on the world trade scene.

ANNEXES

ANNEX I Corrected figures for Italy and Ireland for 1981-86

ANNEX II Community interventions

ANNEX III Technical annex

ANNEX IV Statistical annex

Revision of First Survey data for Italy and Ireland

In the "First Survey" it was stated that because of lack of cooperation from the Italian authorities the data for Italy⁽¹⁾ was subject to further verification and was therefore to be regarded as provisional. In December 1989 the Bank of Italy contacted the Commission with a view to carrying out this work. A series of technical meetings took place after which broad agreement was reached on the figures which reflect the level of State Aid support in Italy for the period 1981-1986. The methodology developed in association with the Bank of Italy has also been applied to the data for 1987 and 1988 thus ensuring that all the Italian figures contained in this report have been prepared on a consistent basis. This refining of the Italian data facilitated the elimination of elements of infrastructure and overhead contained in certain global aid figures which were used in the First Survey. This situation arose because the published sources used by the Commission when compiling the First Survey did not always provide a satisfactory level of disaggregation.

The result of this work has been to reduce the overall figure for Italy from 27,7 billion ECU per annum (average 1981-86) to 19,6 billion ECU. However Italy's ranking (among the EEC 10) in the various tables set out in the First Survey remains virtually unchanged despite the reduction in the aid expenditure figures.

In June 1989 the Irish authorities informed the Commission that they had revised their calculations of the estimated revenue forgone by the Exchequer due to Export Sales Relief.

(1) See points 49 and 75 of the First Survey on State Aids in the European Community, published in the Document Series, 1989 (ISBN 92-825-9535-8).

The original estimates supplied to the Commission were arrived at by comparing the "normal" rate of corporation tax (50% for the period 1981-1986) and the zero rate attributable to profits derived from export sales. The revised estimates are based on the fact that most firms benefitting under the Export Sales Relief Scheme would in fact be entitled to benefit from the reduced rate (currently 10%) of corporation tax for manufacturing companies. This means that the actual loss to the exchequer is only the difference between the zero and 10% rates and not the difference between zero and the theoretical 50% rate.

The Commission accepts this argument and has amended the figures for Ireland accordingly. In view of the fact that Export Sales Relief accounted for some 31% of all Irish aids (49% of manufacturing aids) awarded during the period 1981-86, this revision has had a material effect on the figures for Ireland. The revised figures for 1987 and 1988 have been incorporated into the main report.

Finally it should be noted that any benefits derived from Export Sales Relief will cease on 5 April 1990.

In view of the forgoing the various tables of the First Survey are reproduced below and have been amended, where appropriate, to take account of the revised figures for Italy and for Ireland. The original figures (which have been replaced) are set out as footnotes to each new table.

It should be stressed that the figures given in this annex are to replace the figures given in the First Survey for 1981-6. The figures shown in the Second Survey for 1981-6 for Italy and Ireland are the figures from this annex expressed in 1987 prices in order to facilitate comparisons with the figures for later years.

Table I
Total volume of aid in billion ECU
Average 1981-86
a) national state aid - b) Community intervention

	I	D	F	UK	B	NL	GR	DK	IRL	LUX	EEC10
a)	19.6	19.1	16.7	9.4	4.0	2.2	1.0	0.9	0.8	0.2	77.1
b)	4.1	3.5	4.6	2.7	0.8	1.9	1.3	0.8	1.2	0.0	22.0

Original Figure : Italy a) 27.7 Original Ranking : Italy a) 1
 b) 4.1 b) 2
 Ireland a) 1.1 Ireland a) 7
 b) 1.2 b) 7

Table II
Average 1981-86

a) Total aid as % of GDP

LUX	I	B	IRL	F	D	GR	UK	NL	DK
6.0	4.0	4.1	4.0	2.7	2.5	2.5	1.8	1.5	1.3

b) Total aid per employee (average for the period 1981-86)

LUX	I	B	F	IRL	D	GR	UK	NL	DK
1562	961	1113	792	783	761	278	396	444	353

Original Figure : Italy a) 5.7 Original Ranking : Italy a) 2
 b) 1357.0 b) 2
 Ireland a) 5.3 Ireland a) 3
 b) 1036.0 b) 2

Table III
Average 1981-86

a) Aids to manufacturing as % of gross value added in manufacturing

GR	I	IRL	LUX	B	F	NL	UK	D	DK
12.9	9.5	7.9	7.3	6.4	4.9	4.1	3.8	3.0	2.8

Original Figure : Italy 16.7 Original Ranking : Italy 1
Ireland 12.9 Ireland 2

b) Figures in a) excluding aids to steel and shipbuilding

GR	I	IRL	LUX	B	F	NL	UK	D	DK
13.9	8.2	7.3	3.5	4.5	3.6	4.1	2.9	2.9	1.7

Original Figure : Italy 15.8 Original Ranking : Italy 1
Ireland 12.3 Ireland 3

c) Aids to manufacturing as ECU per employee in manufacturing

GR	I	IRL	LUX	B	F	NL	UK	D	DK
n.a.	3528	2399	2383	1973	1649	1442	971	982	987

Original Figure : Italy 6226 Original Ranking : Italy 1
Ireland 3915 Ireland 2

d) Figures in c) excluding aids to steel and shipbuilding

GR	I	IRL	LUX	B	F	NL	UK	D	DK
n.a.	3067	2216	1079	1373	1223	1419	757	940	609

Original Figure : Italy 5951 Original Ranking : Italy 1
Ireland 3741 Ireland 2

Table IV A

Aids to manufacturing excluding shipbuilding and steel
Aid amounts restated at constant 1986 prices
in mio national currency

	1981	1982	1983	1984	1985	1986
B	39115	41178	48300	43238	45315	38023
DK	1724	2182	1975	1495	1762	1107
D	14599	15254	14449	14949	15836	15601
GR	91305	80551	94812	110042	139483	163324
F	37431	40655	40793	41481	38794	36173
IRL	411	401	442	334	395	330
I *	15403	17632	16024	15592	14787	13208
LUX	1069	936	1092	1076	888	1095
NL	2466	2784	2418	2963	2423	2388
UK	3182	2867	1940	2185	1975	1906

* - In billion Lit.

Original figures:	1981	1982	1983	1984	1985	1986
ITALY	20.887	26.360	33.994	30.760	29.263	34.851
IRELAND	520	459	669	452	699	591

Table IV B

Aids to manufacturing excluding shipbuilding and steel
Aid amounts at current exchange rates
in MECU

	1981	1986
B	720.4	868.1
DK	156.7	139.5
D	5010.4	7331.1
GR	592.7	1188.5
F	4224.4	5319.5
IRL	391.4	449.9
I	7040.0	9192.0
LUX	19.0	25.0
NL	780.1	994.7
UK	4463.2	2837.7

Original Figure: Italy	1981 - 9546.9	Original Ranking: Italy	1981 - 1
	1986 - 23839.3		1986 - 1
Ireland	1981 - 495.3	Ireland	1981 - 8
	1986 - 805.1		1986 - 8

Table V
Aids to agriculture and fisheries as a % of gross value added in
agriculture and fisheries
average 1981-86

UK	IRL	F	LUX	D	I	DK	B	NL	GR
14.1	13.2	12.1	12.0	9.8	9.0	8.0	7.3	7.2	n.a.

n.a. = not available

Original Figure : Italy 8.6 Original Ranking : Italy 6

Ireland - No change

Table VI
Aids to railways as a % of gross value added in railways

LUX	B	I	F	D	NL	UK	DK	GR	IRL
181	70	49	38	37	22	18	15	n.a.	n.a.

n.a. = not available

THERE ARE NO MODIFICATIONS TO THIS TABLE

Table VII A
average 1981-85
Aids to steel as a % of gross value added in steel

IRL	I	F	UK	B	DK	LUX	D	NL	GR
107.2	103.0	58.3	57.6	40.4	18.0	14.6	8.6	4.3	n.a.

Original Figure : Italy 71.4 Original Ranking : Italy 2

Ireland - No change

Table VII B
average 1981-86
Aids to shipbuilding as a % of gross value added in shipbuilding

F	I	DK	B	UK	D	NL	LUX	GR	IRL
56.6	45.9	33.8	27.7	21.6	12.3	10.7	0	n.a.	n.a.

n.a. = not available

THERE ARE NO MODIFICATIONS TO THIS TABLE

Table VII C
average 1981-85
Aids to coal mining as ECU per employee in coal mining

B	D	F	UK
53300	26660	43950	9765

THERE ARE NO MODIFICATIONS TO THIS TABLE

THIS TABLE DOES NOT CONCERN ITALY OR IRELAND

Table VIII

average 1981-86
Amounts (c-f below) expressed in Billions of ECU

	LUX	I	F	D	B	IRL	UK	NL	DK	GR
a) Aids as % of public exp.	19	11	11	10	10	9	5	4	3	na
b) Aids as % of budget deficit *		34	105	106	39	36	57	11	35	23
c) Total aids	0.2	19.6	16.7	19.1	4.0	0.8	9.4	2.2	0.9	1.0
d) Budget deficit *		57.4	16.4	18.0	10.3	2.3	16.5	19.5	2.6	4.3
e) Total receipts of gen.govt.	2.3	184.3	301.6	347.5	45.1	9.0	219.7	83.6	37.2	13.3
f) Corporation tax	0.2	4.4	11.0	11.6	1.7	0.3	22.6	4.4	1.1	0.3

Original Figure: **Italy**

a) 15
b) 48
c) 27.7
d) - f) unchanged

Ireland

a) 12
b) 48
c) 1.1
d) - f) unchanged

Original Ranking : **Italy**

a) 2
b) 4
c) 1
d) - f) unchanged

Ireland

a) 3
b) 4
c) 8
d) - f) unchanged

Table IX
Aid element of different forms of aid as a % of total aid
average 1981-86
(for manufacturing and service industry aids only) *

		B	DK	D	GR	F	IRL	I	LUX	NL	UK
Aid form											
Grant	A1A	47	43	35)	95	20	64	48	57	60	69
Tax reductions	A2A	2	-	51)		4	17	31	4	25	2
total A		49	43	86	95	24	81	79	61	85	71
Equity											
participation	B1A	28	1	-	-	26	13	19	35	1	18
Soft loan	C1A	10	52	6	-	38	3	2	4	13	6
Tax defferal	C2A	-	-	7	-	7	-	-	-	-	2
total C		10	52	13	-	45	3	2	4	13	8
Guarantee	D1A	13	3	1	5	5	2	-	-	-	1
		100	100	100	100	100	100	100	100	100	100

* Excludes aids in agriculture, fisheries, energy and transport.

Original Figures : Italy 1A 68% A2A 11%
 B1A 18% C1A 3%
 Ireland A1A 39% A2A 49%
 B1A 8% C1A 2%
 D1A 1%

Table X A
Percentage of aid according to sector and function
(average 1981-86)

	B	DK	D	GR	F	IRL	I	LUX	NL	UK
2.1 Industry/services										
horiz.objectives	14	19	13	55	20	13	21	3	26	17
2.1.1 Innovation/R+D*	3	8	7	6	1	1	1	-	5	6
2.1.2 Environment	-	1	0	-	-	-	-	-	1	-
2.1.3 SME	3	-	2	3	-	2	3	1	13	1
2.1.4 Trade/export	2	6	1	46	12	10	4	-	2	8
2.1.5 Econ.energy	-	3	1	-	-	-	1	-	2	-
2.1.6 Gen.investment	3	-	1	-	6	-	1	2	3	2
2.1.7 Combat unempl.)**										
2.1.8 Training aid)										
2.1.9 Oth.objectives	3	-	1	-	-	-	6	-	-	-
2.2 Industry/services										
particular sectors	15	15	5	14	20	18	18	27	16	18
2.2.1 Steel	11	1	2	-	9	3	9	27	2	7
2.2.2 Shipbuilding	2	14	1	-	3	1	1	-	3	5
2.2.5.1 Oth.secs/crisis	2	-	-	-	4	5	)	-	7	5
2.2.5.2 Oth.secs/growth	-	-	1	-	2	-	)10	-	1	1
2.2.5.3 Other sectors	-	-	1	14	2	9	)	-	3	-
3. Regional aids	5	1	18	17	3	21	20	5	8	15
3.1 Regions 92(3)a	-	-	-	17	1	21	18	-	-	3
3.2 Other regions ***	5	1	18	-	2	-	2	5	8	12
Aids principally under EEC										
Treaty regulations ****	67	64	64	13	56	48	44	65	52	51
1.1 Agriculture	4	29	7	-	17	30	10	9	21	12
1.2 Fisheries	-	1	-	-	-	2	-	-	-	1
2.2.3 Transport	35	34	31	13	26	16	34	56	30	16
2.2.3 Regs. 1191-92	(26)	(27)	(19)	(0)	(17)	(8)	(11)	(32)	(27)	(16)
2.2.4.1 Coal/current	6	-	10	-	3	-	-	-	-	15
2.2.4.2 Coal/other	22	-	16	-	11	-	-	-	-	7
TOTAL (1-3)	100	100	100	100	100	100	100	100	100	100

Figures may not add up due to rounding errors

* It should be noted that innovation/R+D excludes any aid given in the form of R+D contracts, defence R+D and any funding of public or semi-public research organisations. This category of aid may therefore be seriously underestimated.

** See Table XB

*** Including aid for German border regions and Berlin granted under Article 92(2)(c)

**** This section groups together aids given principally under EEC Treaty regulations. Aids governed by EEC regulations are analysed in a different way from the aids given for other sectors or objectives. The problems of distortion of competition may in general be different for aids governed by Regulations.

Table X B
Amount of aid according to sector and function
(average 1981-86, in MECU)

	B	DK	D	GR	F	IRL	I	LUX	NL	UK
2.1 Industry/services										
<u>horiz.objectives</u>	570	168	2475	544	3396	107	3160	9	570	1588
2.1.1 Innovation/R+D*	113	75	1384	56	221	10	244	1	104	543
2.1.2 Environment	-	6	86	-	5	-	-	0	27	-
2.1.3 SME	115	2	477	34	74	14	642	3	290	130
2.1.4 Trade/export	97	52	99	454	2091	83	882	1	34	749
2.1.5 Econ.energy	7	29	168	-	82	-	103	-	43	16
2.1.6 Gen.investment	136	4	98	-	921	-	206	4	64	138
2.1.7 Combat unempl.)	**									
2.1.8 Training aid)										
2.1.9 Oth.objectives	102	-	163	-	2	-	1083	-	9	12
2.2 Industry/services										
<u>particular sectors</u>	578	136	839	141	3299	157	3800	68	332	1721
2.2.1 Steel	420	7	371	-	1513	31	1699	68	35	703
2.2.2 Shipbuilding	61	126	176	4	507	5	230	-	74	483
2.2.5.1 Oth.secs/crisis	92	-	-	-	616	43	)	-	146	469
2.2.5.2 Oth.secs/growth	-	-	157	-	318	-	)1871	-	17	42
2.2.5.3 Other sectors	5	3	135	137	345	78	)	-	60	24
3. Regional aids										
3.1 Regions 92(3)a	182	12	3449	171	383	176	3887	12	169	1372
3.2 Other regions***	-	-	-	171	115	176	3437	-	-	235
	182	12	3449	-	268	-	450	12	169	1137
Aids principally under EEC										
<u>Treaty regulations ****</u>										
1.1 <u>Agriculture</u>	164	256	1402	-	2870	259	1998	22	462	1088
1.2 <u>Fisheries</u>	2	13	18	4	45	20	58	-	8	69
2.2.3 <u>Transport</u>	1382	304	5931	127	4408	141	6733	139	697	1522
2.2.3 (Regs. 1191-92)	1054	242	3552	5	2781	66	2467	90	595	1510
2.2.4.1 Coal/current	228	-	1906	-	530	-	-	-	-	1407
2.2.4.2 Coal/other	875	-	3097	-	1756	-	-	-	-	662
TOTAL (1-3)										
<u>In billion ECU</u>	4.0	0.9	19.1	1.0	16.7	0.8	19.6	0.2	2.2	9.4

Figures may not add up due to rounding errors

* See Table X A

** Training and unemployment measures have not been included in the present report. However by way of information expenditure on training and employment measures which has been identified but not yet examined in detail, is as follows (MECU average 1981-86):

B:29 DK:52 D:225 GR:4 F:636 IRL:60 I:466 LUX:1

NL:105 UK:1082

***)

****) See Table XA

Table X C
Amount of Regional Aid (in MECU)
(average 1981-86)

	B	DK	D	GR	F	IRL	I	LUX	NL	UK	EEC10
<hr/>											
Total regional aids	182	12	3449*	171	383	176	5407	12	169	1372	11333
of which											
Art. 92(3)(a) regions	-	-	-	171	115	176	3437	-	-	235	5351
Art. 92(2)(c) and 92(3)(c) regions	182	12	3449*	-	268	-	450	12	169	1137	5982
<hr/>											
Regional Aid as % GDP (index EEC=100)	0.2	PM	0.5	0.4	0.1	0.8	0.8	0.3	0.1	0.3	0.4
	(44)	(4)	(107)	(101)	(14)	(195)	(200)	(68)	(26)	(62)	(100)
<hr/>											
% Pop. in aided areas	34.5	24.5	47.3	65.6	38.7	100	48.9	95.8	28.0	44.1	44.5
<hr/>											
Per capita aid in aided areas (in ECU)	54.3	9.6	118.7	24.4	18.1	50.2	139.7	34.2	41.9	55.1	93.7
(*) Including Berlin 2632 MECU											

Table XIA
Community Funds

NO CHANGES TO THIS TABLE

Table XIB
Other Community Instruments

NO CHANGES TO THIS TABLE

Table XIC
Community Funds
(Average 1981-1986)

NO CHANGES TO THIS TABLE

Table XII
Approximate number of aid schemes excluding
agriculture, fisheries, transport and energy

NO CHANGES TO THIS TABLE

Table XIII

a) Percent of total aid to industry channeled through the 5 biggest schemes in operation within Member States

B	DK	D	GR	F	IRL	I	LUX	NL	UK
47	70	45	97	36	70	52	87	56	69

Original Figure : Italy - 50%
Ireland - 81%

b) Percent of total aid to industry awarded through the 20% most important schemes in operation within Member States

B	DK	D	GR	F	IRL	I	LUX	NL	UK
73	75	75	97	75	79	66	87	82	91

(Source: Commission estimates based on schemes in table XII and aids in Table X b)

Original Figure : Italy :68%
Ireland :88%

ANNEX II

Community Interventions

1. Table I sets out in global terms the amounts paid or committed for each of the years 83 to 88 for the different Community funds in the form of grants and loans.
2. Table II shows for each Member State the average annual Community intervention over the period 1986-1988 for the 4 main funds : EAGGF guarantee, EAGGF guidance, social fund and regional fund. Such a breakdown by Member State is not available for the interventions given by DG XIII and ECSC.
3. The bulk of Community intervention (nearly 80%) has been in agriculture. Over the period 86-88, Community intervention exceeds national aids for five Member States : Netherlands, Greece, Denmark, Portugal and Ireland. This was only the case for Netherlands in 81-86. These comparisons can lead to misleading conclusions. As regards the comparison between different Member States the benefits of such Community intervention are felt by operators throughout the Community irrespective of where this expenditure occurs (e.g. export refunds and intervention buying). As regards the comparison between Community and national expenditure, that of the Community is influenced to a considerable degree by differences between EEC and (fluctuating) world agricultural commodity prices which is not the case for much of national expenditure. For 1981-86 see First Survey.
4. For more details on Community funds, see points 53 to 63 of the First Survey.

T A B L E I A

ANNUAL EXPENDITURE OF DIFFERENT COMMUNITY FUNDS

		in M E C U					
		1983	1984	1985	1986	1987	1988
F E O G A	Guarantee (1)	15919.2	18366.2	19700.6	22073.2	23182.9	25648.0
F E O G A	Guidance (1)	748.6	678.9	720.7	773.4	828.0	1142.5
Social	Fund (2)	1876.3	1855.0	2228.2	2554.3	3150.3	3178.9
Regional	Fund (1)	1246.6	1326.0	1590.7	2394.2	2444.0	2903.2
Research & Development	(DG XII) (2)(3)	130.5	74.9	206.0	294.0	196.0	133.8
Research & Development	(DG XIII)(2)(4)	14.6	136.9	229.8	215.4	325.7	420.2
E C S C	Grants (2)						
Resettlement	Art 56.2(b)	125.0	140.0	215.0	171.9	82.4	360.5
Steel Social	,,	50.0	62.5	122.5	0.0	0.0	34.0
Coal Social	,,	0.0	60.0	0.0	0.0	0.0	0.0
Research	Art 55	53.0	50.9	51.0	68.9	73.7	73.5
Interest Relief	Art 54/56	57.6	83.9	63.8	198.8	48.3	62.3
Coking Coal	Art 95	6.0	6.0	6.0	6.0	0.0	0.0
T O T A L		20227.4	22841.2	25134.3	28750.1	30331.3	33956.9

(1) PAYMENTS

(2) COMMITMENTS

(3) BRITE , FAST and similar scientific research projects.

(4) ESPRIT , RACE , SPRINT and similar research and development projects

SOURCES : Annual reports of the various funds.

T A B L E I B

OTHER COMMUNITY INSTRUMENTS

in M E C U

	1983	1984	1985	1986	1987	1988
N C I Loans (new loans issued.) (a)	964.0	1194.0	1043.8	543.5	303.2	285.2
E U R A T O M Loans (a)	366.6	186.0	211.0	443.2	313.7	0.0
E C S C Loans (b)	778.1	686.6	896.1	1069.2	949.3	907.8

SOURCES : (a) Annual reports of the Court of Auditors
(b) Annual reports of the E C S C .

TABLE I I

SPENDING BY MEMBER STATE OF DIFFERENT COMMUNITY FUNDS

(Average 1986-1988)

in M E C U.

	E A G G F Guarantee	E A G G F Guidance	SOCIAL Fund	REGIONAL Fund	R & D (DG XII)	R & D (DG XIII)*	ECSC Grants *	TOTAL
BELGIUM	840.2	19.4	43.7	24.2	13.6			941.1
DENMARK	1120.4	18.2	38	14.9	5.8			1197.3
GERMANY	4400.2	124.4	144.1	74.8	44.2			4787.7
GREECE	1361.6	101.1	189.5	292.4	1.8			1946.4
SPAIN	920.9	56.6	434.9	401.1	4.7			1818.2
FRANCE	5787.2	238.8	379.6	280.4	46.5			6732.5
IRELAND	1084.9	79.4	221.1	114.4	3.3			1503.0
ITALY	3783.8	175.6	598.6	605.3	24.7			5188.0
LUXEMBURG	2.2	3.0	2	0.8	0.0			8.1
NETHERLANDS	2948.9	14.1	69	14.9	12.8			3059.6
PORTUGAL	111.7	65.1	288.5	247.4	1.7			714.5
UNITED KINGDOM	1933.9	86.4	538.1	509.8	25.8			3094.0
							R&D DGXIII *	320.4
							ECSC grants*	393.4
TOTAL	24295.9	982.0	2947.1	2580.4	185.1	320.4	393.4	31704.4

* No breakdown by members state available

ANNEX III

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. Forms and categories 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

1. Scope of the study
Fields excluded

1. In 1989 the Commission published the First Survey on State Aids in the European Community¹⁾. The Technical Annex to this First Survey explained the methodological and statistical background used. The Second Survey is based on the same methodology, updated where necessary.

The Survey focused on State aids to undertakings falling within the scope of Articles 92 and 93 EEC. 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 were 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 centres
- . Aid to developing countries²⁾

- 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...)
- . Customs duties, quotas, public procurement, market restrictions, technical standards
- . Specific tax schemes (cooperatives, owner enterprises, self-employed, etc.)³⁾
- . General reductions in VAT (for example, foodstuffs in the United Kingdom, certain products in the French Overseas Departments)⁴⁾

1) Hereafter First Survey

2) Aid for exports outside the Community have been included in the study since their harmonization under Article 112 does not exclude application of Articles 92/3 EEC.

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

4) 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. Aid granted by supranational and multinational organizations

- . Community aid (ERDF, EAGGF...)
- . Aid to the ESA (European Space Agency)

2.4. Individual types of aid

- . Defence (see point 11. R&D)
- . All aid to energy, except coal (see points 10.2 and 11)
- . All aid to transport, except railways and inland waterways (see point 10.2)
- . Press and media
- . Banks and credit institutions (for exemple, 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. Forms and categories of aid
Objectives

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 way in which the aid is provided. Aid should therefore be subdivided in accordance with the way 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 A, A1 and A2

- . grants)A1/
- . interest subsidies received directly by the recipient)A1A
- . 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)A2/
- . tax allowances, exemptions and rate reliefs)A2A
- . 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 take 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, where the aid element is not quantified (if it is, the aid element is included in category C1A)) C1
- . Participatory loans from public or private sources, where the aid element is not quantified (if it is, the aid element is included in category C1A))
- . Advances repayable in the event of success where the aid element is not quantified (if it is, the aid element is included in category C1A))
- . Deferred tax provisions (reserves, free or accelerated depreciation, etc) (if the aid element is quantified, it is included under C2A))

7. Groupe C1

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 rates 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)
- D1A

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

9. Objectives

9.1. These aid schemes have been broken down into 18 headings according to their sectoral or functional objectives:

- 1.1. Agriculture
- 1.2. Fisheries
- 2.1. Industry/Services
(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 61 of main text
 - 2.1.8. Training Aid)
 - 2.1.9. Other objectives
- 2.2. Industry/Services
(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

9.2. The heading "other sectors" covers all rescue operations and major individual cases.

9.3. The heading "regional aid" is divided into two subheadings: regions eligible under Article 92(3)(a) (3.1.) and the other regions (3.2.).

List of regions within the meaning of Article 92(3)(a)⁵⁾

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

9.4. 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 anual communication to the Council on the financial aids in this sector).

⁵⁾ The list of regions within the meaning of Article 92(3)(a) is taken from OJEC no. C 212 of 12.08.1988 pages 2 to 10.

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

10.

10.1. As a 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 1988 were not available, the Commission departments have extrapolated the 1987 figures.

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.

10.2. The Commission services 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 services.

For agriculture and fisheries 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 figures for 1987 and 1988 were not available for France and Luxembourg, where estimates are based on extrapolation of the 1987 figures.

As regards agriculture with the exceptions mentioned above, the figures are taken from the "aid" inventory 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 as a complement to Community financing, as a result of the application of Regulation (EEC) 797/85 (last amended by Regulation (EEC) 1760/87) and on the other hand national aids falling directly under Articles 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 (from 1986, Decision 2064/86/ECSC) and summarized in the Commission's Annual Communication to the Council on aids in this sector⁶⁾. 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 included⁷⁾. A study is underway 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 railways and navigable waterways only. In addition, but shown separately,

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- 6) 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).
- 7) Aid to promote alternative sources of energy have frequently been included under Economisation of Energy. In the case of nuclear energy, reference should be made to point 11.4.

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.

Aid granted to ports against which the Article 93 EEC procedure were initiated (and subsequently closed), has been included.

A study for aids to other forms of transport is necessary.

10.3. Other sources

In the case of aid to industry and the service sector, the figures have generally been taken from national publications. These are mainly documents on the award of aid, national accounts relating to expenditure, and draft budgets. Inventories and other available studies have also been used.

10.4. Steel

The figures presented in this 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 favourable tax treatment of particular types of activities or groups of taxpayers".

Thus, for example, tax reliefs granted to certain development areas (reduction in corporation taxes, or favourable depreciation terms) 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 study presented 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 these different interventions on a fully comparable basis, it is necessary to try and reduce these different interventions 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 OJ C 111 of 4.11.1971 Resolution of the Council of 20.10.1971).

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 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 equivalent.

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 "Application of Articles 92 and 93 EEC to public authorities' holdings" Bulletin EC9-1984)⁸⁾. 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 what rate of interest to use as 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.

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 subsidy 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 recipient⁹⁾. For simple loan/export guarantee schemes it is normally impractical, because of the volume of cases, to look at every guarantee and decide

8) See also "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.

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

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 honoured 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 recipient¹⁰).

- 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 intervention 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.

¹⁰) 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 nationalised or private enterprises and they are classified under A1A¹¹). 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 given in the main text (since the aid element is often unquantifiable at this stage). Furthermore, the sources do not permit research and development contracts intended specifically for military purposes to be isolated not for the impact on the market of such contracts to be evaluated¹²).

11.3. Public Research

No figures are given for any aid element contained in the intra-mural 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 repercussions¹³).

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

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

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

13) See Community framework for Research and Development Aids op.cit point. 9.1.

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 have been underestimated, since the R&D figures exclude R&D contracts and public research, the aid element of such measures being difficult to quantify.

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 which were included in figures submitted by Member States have now been 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 (1986:1204 MECU; 1987:1155 MECU).

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.

ANNEX IV

Statistical Annex

1. The sources and methodology for the tables given in these annexes are explained in the technical annex.
2. The figures were collected in national currency and converted into ECU using the annual average exchange rate published by the Community's Statistical office.
3. The figures on GDP are extracted from European Economy and are GDP at market prices and current exchange rate.
4. The figures on gross value added used in the various ratios are extracted from Eurostat review and are Gross value added at current market prices and at current exchange rates by branch (agricultural, forestry and fishery products, manufactured products).
5. Public expenditure is defined as current and capital expenditure of general government.
6. Civilian employment is retained to calculate the various ratios by person employed.
7. When no figures were available certain figures for 1988 have been extrapolated from 1987 figures. Certain tax concessions remain incalculable. When no other information was provided by the Member State to calculate the aid element, 30% 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.

SUMMARY TABLES

Total aid element by objective and type of aid

Average 1986-88

in MECU

SECTORS/FUNCTIONS	AVERAGE 86-88						in MECU
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1. Agriculture	170	0	0	0	0	0	170
1.2. Fisheries	1	0	0	0	0	0	1
2.1. Industry/Services : Horizontal objectives	366	111	60	104	0	71	713
2.1.1 Innovation, R&D	84	1	0	5	0	0	90
2.1.2 Environment	0	0	0	0	0	0	0
2.1.3 S.M.E	157	90	0	11	0	0	258
2.1.4 Trade/Export	12	0	0	78	0	43	133
2.1.5 Economisation of energy	25	0	0	0	0	0	25
2.1.6 General investment	87	1	0	10	0	28	127
2.1.9 Other objectives	2	19	60	0	0	0	81
2.2. Industry/Services : Particular sectors	2728	0	0	24	0	0	2753
2.2.1 Steel	0	0	0	0	0	0	0
2.2.2 Shipbuilding	6	0	0	24	0	0	31
2.2.3 Transports	1447	0	0	0	0	0	1447
2.2.3 of which Regs 1191 and 1192/69	981	0	0	0	0	0	981
2.2.4.1 Coal : Aid to current production	288	0	0	0	0	0	288
2.2.4.2 Coal : Other aids	893	0	0	0	0	0	893
2.2.5 Other sectors	94	0	0	0	0	0	94
3. Regional aids	177	0	0	0	0	38	215
TOTAL (1-3)	3443	111	60	129	0	109	3853

DENMARK	AVERAGE 86-88						in MECU	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
Sectors/Functions								
1.1. Agriculture	227	0	0	0	0	0	227	
1.2. Fisheries	12	0	0	0	0	0	12	
2.1. Industry/Services : Horizontal objectives	179	0	0	20	0	1	200	
2.1.1 Innovation, R&D	104	0	0	6	0	0	111	
2.1.2 Environment	8	0	0	0	0	0	8	
2.1.3 S.M.E	0	0	0	3	0	0	3	
2.1.4 Trade/Export	38	0	0	9	0	1	48	
2.1.5 Economisation of energy	28	0	0	2	0	0	30	
2.1.6 General investment	0	0	0	0	0	0	0	
2.1.9 Other objectives	0	0	0	0	0	0	0	
2.2. Industry/Services : Particular sectors	378	0	0	57	0	1	436	
2.2.1 Steel	0	0	0	0	0	0	0	
2.2.2 Shipbuilding	0	0	0	57	0	1	57	
2.2.3 Transports	378	0	0	0	0	0	378	
2.2.3 of which Regs 1191 and 1192/69	285	0	0	0	0	0	285	
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	
2.2.5 Other sectors	1	0	0	0	0	0	1	
3. Regional aids	15	0	0	2	0	0	17	
TOTAL (1-3)	812	0	0	79	0	2	892	

SECTORS/FUNCTIONS	AVERAGE 86-88						TOTAL
	A1A	A2A	B1A	C1A	C2A	D1A	
GERMANY							
in MECU							
1.1. Agriculture	2347	0	0	0	0	0	2347
1.2. Fisheries	20	0	0	0	0	0	20
2.1. Industry/Services : Horizontal objectives	1371	617	0	340	215	79	2622
2.1.1 Innovation, R&D	1049	215	0	2	34	0	1300
2.1.2 Environment	47	0	0	56	0	0	103
2.1.3 S.M.E	121	171	0	158	149	15	614
2.1.4 Trade/Export	0	132	0	0	0	0	132
2.1.5 Economisation of energy	115	100	0	0	0	0	215
2.1.6 General investment	19	0	0	0	32	0	51
2.1.9 Other objectives	21	0	0	124	0	64	208
2.2. Industry/Services : Particular sectors	14371	31	0	17	0	0	14419
2.2.1 Steel	60	0	0	0	0	0	60
2.2.2 Shipbuilding	163	0	0	3	0	0	166
2.2.3 Transports	6579	0	0	0	0	0	6579
2.2.3 of which Regs 1191 and 1192/69	3956	0	0	0	0	0	3956
2.2.4.1 Coal : Aid to current production	3816	0	0	0	0	0	3816
2.2.4.2 Coal : Other aids	3479	0	0	0	0	0	3479
2.2.5 Other sectors	275	31	0	14	0	0	320
3. Regional aids	379	3629	0	84	379	0	4472
3.1. Berlin	14	3208	0	23	95	0	3340
3.2.1 Other regions under 92(3)a	108	213	0	33	284	0	639
3.2.2 Other regions	258	208	0	28	0	0	494
TOTAL (1-3)	18488	4277	0	442	594	79	23880

GREECE	AVERAGE 86-88						in MECU	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
Sectors/Functions								
1.1. Agriculture	144	0	0	0	0	0	144	
1.2. Fisheries	6	0	0	0	0	0	6	
2.1. Industry/Services : Horizontal objectives	394	0	2	0	0	33	430	
2.1.1 Innovation, R&D	59	0	2	0	0	0	61	
2.1.2 Environment	0	0	0	0	0	0	0	
2.1.3 S.M.E	39	0	0	0	0	0	39	
2.1.4 Trade/Export	296	0	0	0	0	33	329	
2.1.5 Economisation of energy	0	0	0	0	0	0	0	
2.1.6 General investment	0	0	0	0	0	0	0	
2.1.9 Other objectives	0	0	0	0	0	0	0	
2.2. Industry/Services : Particular sectors	224	0	92	0	0	0	316	
2.2.1 Steel	0	0	0	0	0	0	0	
2.2.2 Shipbuilding	0	0	0	0	0	0	0	
2.2.3 Transports	109	0	0	0	0	0	109	
2.2.3 of which Regs 1191 and 1192/69	14	0	0	0	0	0	14	
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	
2.2.5 Other sectors	115	0	92	0	0	0	207	
3. Regional aids	406	0	0	0	0	0	406	
TOTAL (1-3)	1174	0	94	0	0	33	1302	

SPAIN	AVERAGE 86-88						in MECU	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
Sectors/Functions								
1.1. Agriculture	174	0	0	0	0	0	174	
1.2. Fisheries	46	0	0	0	0	0	46	
2.1. Industry/Services : Horizontal objectives	348	0	2	15	0	0	365	
2.1.1 Innovation, R&D	162	0	0	0	0	0	162	
2.1.2 Environment	6	0	0	0	0	0	6	
2.1.3 S.M.E	24	0	1	10	0	0	36	
2.1.4 Trade/Export	28	0	0	0	0	0	28	
2.1.5 Economisation of energy	11	0	0	1	0	0	12	
2.1.6 General investment	92	0	0	4	0	0	97	
2.1.9 Other objectives	25	0	0	0	0	0	25	
2.2. Industry/Services : Particular sectors	4619	0	545	51	0	33	5247	
2.2.1 Steel	431	0	431	0	0	28	891	
2.2.2 Shipbuilding	93	0	0	10	0	0	103	
2.2.3 Transports	1827	0	0	0	0	0	1827	
2.2.3 of which Regs 1191 and 1192/69	276	0	0	0	0	0	276	
2.2.4.1 Coal : Aid to current production	390	0	0	0	0	0	390	
2.2.4.2 Coal : Other aids	532	0	0	0	0	0	532	
2.2.5 Other sectors	1346	0	114	41	0	4	1505	
3. Regional aids	65	0	0	0	0	0	65	
TOTAL (1-3)	5252	0	547	66	0	33	5898	

FRANCE	AVERAGE 86-88						in MECU
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
Sectors/Functions							
1.1. Agriculture	2171	0	0	0	0	0	2171
1.2. Fisheries	35	0	0	0	0	0	35
2.1. Industry/Services : Horizontal objectives	322	559	0	632	39	1078	2630
2.1.1 Innovation, R&D	214	282	0	0	1	0	496
2.1.2 Environment	27	0	0	0	0	0	27
2.1.3 S.M.E	13	251	0	0	10	14	289
2.1.4 Trade/Export	2	26	0	398	29	973	1428
2.1.5 Economisation of energy	43	0	0	0	0	0	43
2.1.6 General investment	22	0	0	234	0	90	346
2.1.9 Other objectives	0	0	0	0	0	0	0
2.2. Industry/Services : Particular sectors	8586	16	1046	214	135	0	9998
2.2.1 Steel	16	0	0	0	0	0	16
2.2.2 Shipbuilding	400	0	0	76	0	0	476
2.2.3 Transports	4952	0	0	0	0	0	4952
2.2.3 of which Regs 1191 and 1192/69	2864	0	0	0	0	0	2864
2.2.4.1 Coal : Aid to current production	398	0	0	0	0	0	398
2.2.4.2 Coal : Other aids	2046	0	0	0	0	0	2046
2.2.5 Other sectors	774	16	1046	138	135	0	2110
3. Regional aids	355	79	0	0	0	0	435
3.1 Regions under 92(3)a	155	6	0	0	0	0	161
3.2 Other regions	200	73	0	0	0	0	273
TOTAL (1-3)	11470	654	1046	846	175	1078	15269

IRELAND	AVERAGE 86-88						in MECU	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
Sectors/Functions								
1.1. Agriculture	161	0	0	0	0	0	161	
1.2. Fisheries	10	0	0	0	0	0	10	
2.1. Industry/Services : Horizontal objectives	39	141	0	0	0	12	193	
2.1.1 Innovation, R&D	19	0	0	0	0	0	19	
2.1.2 Environment	0	0	0	0	0	0	0	
2.1.3 S.M.E	15	0	0	0	0	9	24	
2.1.4 Trade/Export	6	141	0	0	0	4	150	
2.1.5 Economisation of energy	0	0	0	0	0	0	0	
2.1.6 General investment	0	0	0	0	0	0	0	
2.1.9 Other objectives	0	0	0	0	0	0	0	
2.2. Industry/Services : Particular sectors	158	0	22	4	0	3	186	
2.2.1 Steel	0	0	0	0	0	0	0	
2.2.2 Shipbuilding	0	0	0	0	0	0	0	
2.2.3 Transports	130	0	0	0	0	0	130	
2.2.3 of which Regs 1191 and 1192/69	74	0	0	0	0	0	74	
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	
2.2.5 Other sectors	28	0	22	4	0	3	56	
3. Regional aids	144	12	1	0	0	2	159	
TOTAL (1-3)	512	153	23	4	0	17	709	

ITALY	AVERAGE 86-88						in MECU	
	Sectors/Functions	A1A	A2A	B1A	C1A	C2A		D1A	TOTAL
1.1. Agriculture	3199	0	0	0	0	0	0	3199
1.2. Fisheries	89	0	0	0	0	0	0	89
2.1. Industry/Services : Horizontal objectives	2601	0	210	239	0	0	0	3050
2.1.1 Innovation, R&D	283	0	0	203	0	0	0	486
2.1.2 Environment	0	0	0	0	0	0	0	0
2.1.3 S.M.E	885	0	0	0	0	0	0	885
2.1.4 Trade/Export	433	0	210	2	0	0	0	645
2.1.5 Economisation of energy	56	0	0	0	0	0	0	56
2.1.6 General investment	278	0	0	0	0	0	0	278
2.1.9 Other objectives	667	0	0	34	0	0	0	701
2.2. Industry/Services : Particular sectors	8894	0	492	0	0	0	0	9386
2.2.1 Steel	203	0	154	0	0	0	0	357
2.2.2 Shipbuilding	172	0	52	0	0	0	0	224
2.2.3 Transports	7790	0	0	0	0	0	0	7790
2.2.3 of which Regs 1191 and 1192/69	2287	0	0	0	0	0	0	2287
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	0
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	0
2.2.5 Other sectors	729	0	286	0	0	0	0	1014
3. Regional aids	1503	3413	0	0	0	0	0	4916
3.1 Regions under 92(3)a	848	3413	0	0	0	0	0	4261
3.2 Other regions	655	0	0	0	0	0	0	655
TOTAL (1-3)	16287	3413	701	239	0	0	0	20641

LUXEMBOURG		AVERAGE 86-88					in MECU	
Sectors/Functions	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
1.1. Agriculture	17	0	0	0	0	0	17	
1.2. Fisheries	0	0	0	0	0	0	0	
2.1. Industry/Services : Horizontal objectives	4	3	2	6	0	0	15	
2.1.1 Innovation, R&D	2	0	0	0	0	0	2	
2.1.2 Environment	0	0	0	0	0	0	0	
2.1.3 S.M.E	2	0	0	5	0	0	7	
2.1.4 Trade/Export	0	0	0	0	0	0	1	
2.1.5 Economisation of energy	0	0	0	0	0	0	0	
2.1.6 General investment	0	3	2	0	0	0	5	
2.1.9 Other objectives	0	0	0	0	0	0	0	
2.2. Industry/Services : Particular sectors	166	0	0	0	0	0	166	
2.2.1 Steel	0	0	0	0	0	0	0	
2.2.2 Shipbuilding	0	0	0	0	0	0	0	
2.2.3 Transports	165	0	0	0	0	0	165	
2.2.3 of which Regs 1191 and 1192/69	115	0	0	0	0	0	115	
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	
2.2.5 Other sectors	0	0	0	0	0	0	0	
3. Regional aids	19	0	0	0	0	0	19	
TOTAL (1-3)	206	3	2	6	0	0	217	

NETHERLANDS	AVERAGE 86-88						in MECU	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	
Sectors/Functions								
1.1. Agriculture	532	0	0	0	0	0	532	
1.2. Fisheries	2	0	0	0	0	0	2	
2.1. Industry/Services : Horizontal objectives	464	325	0	51	0	0	840	
2.1.1 Innovation, R&D	210	0	0	35	0	0	245	
2.1.2 Environment	17	0	0	0	0	0	17	
2.1.3 S.M.E	69	287	0	15	0	0	371	
2.1.4 Trade/Export	17	0	0	0	0	0	17	
2.1.5 Economisation of energy	15	38	0	0	0	0	53	
2.1.6 General investment	135	0	0	0	0	0	135	
2.1.9 Other objectives	2	0	0	0	0	0	2	
2.2. Industry/Services : Particular sectors	813	0	0	14	0	0	827	
2.2.1 Steel	0	0	0	0	0	0	0	
2.2.2 Shipbuilding	30	0	0	0	0	0	30	
2.2.3 Transports	758	0	0	0	0	0	758	
2.2.3 of which Regs 1191 and 1192/69	704	0	0	0	0	0	704	
2.2.4.1 Coal : Aid to current production	0	0	0	0	0	0	0	
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0	
2.2.5 Other sectors	25	0	0	14	0	0	39	
3. Regional aids	161	0	0	0	0	0	161	
TOTAL (1-3)	1972	325	0	64	0	0	2362	

PORTUGAL	AVERAGE 86-88						TOTAL
	in MECU						
Sectors/Functions	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL
1.1. Agriculture	154	0	0	0	0	0	154
1.2. Fisheries	4	0	0	0	0	0	4
2.1. Industry/Services : Horizontal objectives	27	272	0	0	0	0	299
2.1.1 Innovation, R&D	8	0	0	0	0	0	8
2.1.2 Environment	0	0	0	0	0	0	0
2.1.3 S.M.E	11	0	0	0	0	0	11
2.1.4 Trade/Export	1	7	0	0	0	0	8
2.1.5 Economisation of energy	5	0	0	0	0	0	5
2.1.6 General investment	0	262	0	0	0	0	262
2.1.9 Other objectives	2	3	0	0	0	0	5
2.2. Industry/Services : Particular sectors	186	4	54	11	0	0	254
2.2.1 Steel	8	0	13	0	0	0	21
2.2.2 Shipbuilding	17	0	7	0	0	0	24
2.2.3 Transports	108	0	0	0	0	0	108
2.2.3 of which Regs 1191 and 1192/69	83	83	83	83	83	83	83
2.2.4.1 Coal : Aid to current production	2	0	0	0	0	0	2
2.2.4.2 Coal : Other aids	0	0	0	0	0	0	0
2.2.5 Other sectors	50	4	35	11	0	0	99
3. Regional aids	17	1	0	1	0	0	19
TOTAL (1-3)	388	277	54	12	0	0	731

SECTORS/FUNCTIONS	AVERAGE 86-88						TOTAL
	A1A	A2A	B1A	C1A	C2A	D1A	
UNITED KINGDOM							
in MECU							
1.1. Agriculture	747	0	0	0	0	0	747
1.2. Fisheries	32	0	0	0	0	0	32
2.1. Industry/Services : Horizontal objectives	1008	74	0	1	118	20	1221
2.1.1 Innovation, R&D	350	0	0	0	0	0	350
2.1.2 Environment	16	0	0	0	0	0	16
2.1.3 S.M.E	292	0	0	0	0	9	301
2.1.4 Trade/Export	309	0	0	0	0	11	320
2.1.5 Economisation of energy	14	0	0	0	0	0	14
2.1.6 General investment	15	74	0	0	118	0	207
2.1.9 Other objectives	13	0	0	1	0	0	14
2.2. Industry/Services : Particular sectors	2578	0	563	222	0	46	3410
2.2.1 Steel	20	0	0	0	0	0	20
2.2.2 Shipbuilding	184	0	0	222	0	46	452
2.2.3 Transports	1085	0	0	0	0	0	1085
2.2.3 of which Regs 1191 and 1192/69	1079	0	0	0	0	0	1079
2.2.4.1 Coal : Aid to current production	539	0	0	0	0	0	539
2.2.4.2 Coal : Other aids	584	0	0	0	0	0	584
2.2.5 Other sectors	166	0	563	0	0	0	729
3. Regional aids	1078	33	5	13	0	17	1146
3.1. Regions under 92(3)a	206	33	2	1	0	0	242
3.1. Other regions	872	0	3	12	0	17	904
TOTAL (1-3)	5444	107	568	237	118	83	6557