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**SIXTH SURVEY ON STATE AID IN THE EUROPEAN UNION
IN THE MANUFACTURING AND CERTAIN OTHER SECTORS**

(presented by the Commission)

CONTENTS

INTRODUCTION	1
Background.....	1
Conceptual remarks	3
PART I - AID TO THE MANUFACTURING SECTOR.....	6
Volume and trend of aid	6
Community totals	6
Comparisons between Member States.....	8
Aid to shipbuilding.....	12
Aid to steel industry.....	14
Aid to the motor vehicle industry	14
Types of aid instruments.....	16
Objectives of aid.....	19
State aid given on an ad-hoc basis.....	26
German State aid to the new Länder.....	28
PART II - OVERALL NATIONAL AID IN THE MEMBER STATES.....	30
Aid to sectors other than the manufacturing sector	30
Aid to agriculture.....	30
Aid to fisheries.....	33
Aid to services	35
Aid to the financial services sector.....	35
Aid to the air transport sector	35
Aid to railway transport.....	36
Aid to coal mining.....	38
Volume of overall aid in the Community.....	40
Budgetary impact of aids.....	43
RESULTS.....	45
CONCLUSIONS	48
ANNEX I: TECHNICAL ANNEX	52
ANNEX II: STATISTICAL ANNEX.....	65
ANNEX III: COMMUNITY FUNDS AND INSTRUMENTS	85

TABLES AND FIGURES

Table 1	<i>State aid to the manufacturing sector in the Community - annual values in constant prices (1995)</i>	6
Table 2	<i>State aid to the manufacturing sector in the Community - annual values 1992 to 1996</i>	7
Table 3	<i>State aid to the manufacturing sector in the Community - annual averages 1992-1994 and 1994-1996</i>	9
Table 4	<i>Aid to shipbuilding in 1994-1996 in percent of contract values of ships</i>	13
Table 5	<i>Shipbuilding development aid as decided upon by EC</i>	14
Table 6	<i>State aid approved to the motor vehicle sector in the years 1992-1996</i>	15
Table 7	<i>State aid to the manufacturing sector 1994-1996 - breakdown according to type of aid</i>	16
Table 8	<i>State aid to the manufacturing sector 1994-1996 - breakdown according to sector and function</i>	24
Table 9	<i>State aid to the manufacturing sector 1992-1994 and 1994-1996 - breakdown to main objectives</i>	25
Table 10	<i>State aid on an ad-hoc basis and Treuhand aid awarded in the manufacturing, financial services and air transport sectors in the Member States in the years 1992 to 1996</i>	27
Table 11	<i>State aid on an ad-hoc basis awarded in the manufacturing, financial services and air transport sectors in the Member States - annual averages 1992-1994 and 1994-1996</i>	27
Table 12	<i>National aid in respect of products listed in Annex II of the EEC Treaty...</i>	32
Table 13	<i>State aid to fisheries in per cent of gross valued added in this sector</i>	34
Table 14	<i>Community interventions in the fisheries sector</i>	34
Table 15	<i>State aid to transport (Railways)</i>	37
Table 16	<i>State aid to coal industry</i>	38
Table 17	<i>Overall national aid in the Member States</i>	41
Table 18	<i>Overall national aid in the Member States in per cent of GDP</i>	42
Table 19	<i>Overall national aid in the Member States broken into main sectors</i>	44

STATISTICAL ANNEX

<i>Table A1</i>	<i>State aid to the manufacturing sector in current prices 1992-1996 (National currency)</i>	66
<i>Table A2</i>	<i>State aid to the manufacturing sector in current prices 1992-1996 (ECU)</i>	67
<i>Table A3</i>	<i>German State aid to the new Länder - yearly average 1994-1996</i>	68
<i>Table A4</i>	<i>Total State aid - annual average 1994-1996 by Member State</i>	70
<i>Table A</i>	<i>Annual Community Expenditure</i>	95
<i>Table B</i>	<i>Other Community Instruments</i>	96
<i>Table C1</i>	<i>Community Average Annual Expenditure by Member State</i>	97
<i>Table C2</i>	<i>Community Average Annual Expenditure by Member State</i>	98

FIGURES

<i>Figure 1</i>	<i>State aid to the manufacturing sector as percentage of value added</i>	10
<i>Figure 2</i>	<i>State aid to the manufacturing sector: Distribution by tax and budgetary expenditure</i>	18
<i>Figure A1</i>	<i>Aid to the manufacturing sector and Community Funds per employee</i>	69

INTRODUCTION

Background

1. The need for an effective method of systematic quantification of State aid for the purposes of competition policy was fully perceived in 1985, the year which saw the publication of the Commission White Paper on completing the internal market. At the end of that year the Commission instructed its departments to compile and publish a fact-based analytical survey on the granting of State aid in the Member States of the Community.

Since the First Survey, covering 1981-86, concluded that transparency in the field of State aid had to be increased, it was decided that updating should be carried out, and this was done in the Second, Third, Fourth and Fifth Surveys, covering the periods 1987-88, 1988-90, 1990-92 and 1992-94 respectively¹.

2. The Sixth Survey updates the existing data and covers the period up to and including 1996. It thus covers for the first time the new Member States Finland, Sweden and Austria and provides information on the then prevailing structure of state support to companies in the fifteen Member States of the Union.
3. The publication of this Sixth Survey underlines the commitment of the Commission to maintain an open policy on the control of State aid. This emphasis on transparency is increasingly important given the environment in which the Commission currently operates, both within the Union itself, and in the wider international context.

The completion of the internal market and the approaching economic and monetary union require an increasingly effective control of State aid since such aid can be used to replace barriers to trade that have been dismantled in the integration process.

¹ References: COM (88) 945
COM (90) 1021
COM (92) 1116
COM (95) 365
COM (97) 170

Member States will willingly contribute to the completion and future proper functioning of the internal market only if they are certain that all other Member States abide by the same rules when subsidising their firms. Compiling and publishing data on the aid amounts awarded is one, and not the least means by which the Commission demonstrates to the Member States that it is constantly keeping a close watch on public interventions, both on their overall development and the development in each of the Member States. This in turn will allow it to adjust its policies where required in order to execute a fair and efficient State aid control, and to adapt to a changing economic environment.

4. Looking at the international context, this decade has witnessed the conclusion of the Europe Agreements with the Central and East European Countries (CEECs), and subsequently the opening of membership negotiations. The burdens of the past of these countries in transition are particularly heavy requiring considerable public support in some areas. This urgently calls for increased transparency in the field of State aid in these countries. Through the publication of its own Surveys on State aid the Commission and indeed the whole European Union give a concrete example to these countries of the level of transparency that is expected of modern, competitive market economies. This will facilitate fulfilling the reporting obligation of the CEECs as laid down in the Europe Agreements. The first surveys submitted by a number of the CEECs seem to confirm this, demonstrating as they do a reasonable level of sophistication which, with further development, should in the near future provide a basis for meaningful comparisons as far as the granting of State aid in the Community and the CEECs is concerned.

Equally important, in the context of the World Trade Organisation the Survey provides an example of what we should expect from our trading partners in terms of transparency. In this respect it complements the notification to the WTO of Community and Member States subsidies pursuant to Article 25 of the WTO Agreement on Subsidies and Countervailing Measures. In a similar fashion the Survey furthermore provides an example to our partners in the OECD.

Conceptual remarks

5. This Sixth Survey on State Aid covers the period 1994-1996, updating the Fifth Survey (published in 1997) which covered the period 1992-1994. Included in the Survey is national aid given in the Community of fifteen Member States to the sectors: manufacturing, agriculture, fisheries, transport - railways and aviation -, financial services and energy (coal). Compared with the previous Survey, more detailed information on state aid in certain sectors, has been provided. General explanations of the methodology used are given in the Technical Annex (Annex I). The Statistical Annex (Annex II) contains basic statistical data on aid to the manufacturing sector and on overall aid. An overview of Community Funds and Instruments is given in Annex III.

6. When comparing the different Member States, the analysis of the aid figures concentrates on the annual averages over the three-year-period 1994-1996. Where appropriate, the figures for the period 1992-1994 are given by way of comparison. As explained in the Technical Annex (Annex I), for the three new Member States, who have only been members for the years 1995 and 1996, the annual average of these two years is used.

As in the preceding surveys, the periods compared overlap by one year. For comparisons between Member States, the use of overlapping three-year averages is the only way of arriving at conclusions supported by sufficiently reliable statistics. This is because for some of the figures, amounts are at present only known over longer than one-year periods. In such cases, the amounts have to be arbitrarily assigned to individual years. Secondly, the amounts for the last year reported on (1996) are to a non-negligible extent provisional and, as was already the case for the last year of the period reviewed by the previous Survey (1994), will certainly be modified by the Member States in future. The resulting provisional nature of the data on the last year of the period under review, particularly when broken down for Member States is statistically straightened out by using overlapping three-year averages. In order to make the averages for the previous period comparable with those of 1994-1996, 1992-1994 figures

are expressed in 1995 prices². Throughout the Survey, therefore, figures are given in real terms.³

7. For the first time aid given within the air transport and financial services sectors, has been highlighted, whereas in the previous surveys the little aid given to these two sectors was contained in the category of the manufacturing sector. Therefore, comparisons of the development of overall levels of aid between this and previous surveys should be based on the manufacturing sector aid figures of the past and the manufacturing sector plus aviation and financial services totals.
8. Commission departments in co-operation with the Member States drew up the figures for 1995 and 1996. Together with the existing figures for 1992-1994 (for the then EUR 12) they were verified by the Member States and, if necessary, modified. This procedure ensures that a relatively high degree of reliance can be placed in the data⁴.

As far as Greece is concerned, the Commission, when establishing the Greek figures for previous reports, used as a reference a study on Greek State aid and spending undertaken by a consultant. This study then served as a basis for the Commission departments' estimates and extrapolations. The improved contribution received from the Greek authorities is to be welcomed and has permitted improvement of the Greek data. However, as a comprehensive contribution from the Greek authorities has not been received to date the figures still comprise a non-negligible proportion of estimates, and therefore the results for Greece should be treated with caution.

As far as Ireland is concerned, the considerable step decrease in the overall level of aid to the manufacturing sector, when compared with

² For this reason, and because of the - in some cases considerable - modifications by the Member States of the 1994 figures mentioned above, figures for 1992-1994 are not the same as those published in the Fifth Survey.

³ Figures for aid to manufacturing at current exchange rates are given in the Statistical Annex (Annex II).

⁴ Certain figures for 1994-1996 were modified particularly in the case of; Belgium where there was a marked improvement in data quality; Greece where there was also an improvement in the reliability of data; France, where data on aviation and banking aid are presented in part ii of the survey; Ireland, where co-financing figures were removed (see p.4-5); and Portugal, where data on aid to aviation are also presented in part ii. As a consequence, figures in this survey are not directly comparable with those in the previous survey.

previous surveys, is due to the fact that in the previous reports the figures provided by the Irish authorities contained figures on Community expenditure. As the Irish authorities had to resort to estimations in order to delimit national expenditure from Community expenditure, the results for Ireland should be also treated with caution.

PART I - AID TO THE MANUFACTURING SECTOR

Volume and trend of aid

9. In the Community the industrial sector is granted more aid than any of the other sectors covered by this Survey; in fact, during the period 1994-1996 as much as 46% of overall aid went to this sector. The analysis of aid in this sector of the economy is, therefore, the centrepiece of this Survey.

Community totals

10. Table 1 shows the annual amounts of aid to the manufacturing sector in the Community in the years 1992 to 1996.

Table 1

**State aid to the manufacturing sector in the Community 1992-1996
Annual values in constant prices (1995).**

	Million ECU				
	1992	1993	1994	1995	1996
EUR 15				38591	35163
EUR 12	39062	44057	41198	37386	34106

The figures in Table 1 lead to the conclusion that the aid granted in EUR 12 has returned to the downward trend observed in the past. The findings of the previous (Fifth) survey, which indicated a halt to this, would thus appear to have been an exception to the general tendency. Aid for the manufacturing sector alone in the EUR 12 in 1994-96 is situated around an annual average of some 37,5 billion. For the EUR 15 the corresponding figure is 38,3 billion.

11. Absolute values, even if aggregated at Community level, are of only limited use for reflecting trends in national aid policies over time. Therefore, Table 2 shows aid to the manufacturing sector as a percentage of value added, per person employed in this sector, and in percent of intra-Community exports of manufactured goods.⁵

Table 2

**State aid to the manufacturing sector in the Community
Annual values 1992 to 1996**

EUR 12/15	1992	1993	1994	1995	1996
In per cent of value added	3,2	3,8	3,4	2,9	2,7
In ECU per person employed	1206	1436	1374	1217	1123
In per cent of intra-community trade*	5,7	7,0	5,7	4,8	4,4

at constant 1995 prices

* intra-Community trade of industrial products

Aid levels relative to value added fluctuate slightly above 3% for the EUR 12 between 1992-94, and dropped below 3% for the EUR 15 in 1995-96.

The amount of aid per person employed in the manufacturing sector for the EUR 12 varies between ECU 1206 in 1992 and ECU 1436 in 1993. For the EUR 15 it drops from ECU 1217 in 1995 to ECU 1123 in 1996. Aid relative to the value of intra-Community trade⁶ of manufactured goods - this ratio can be seen as a good indicator for the potential distortion of competition in the Community – peaks in 1993 for the EUR 12 at 7%, falling to 4,4% for the EUR 15 in 1996.

⁵ Since a small but not exactly quantifiable part of the aid amounts has to be attributed to the service sector (tourism, consultancy), the figures shown may be slightly overestimated.

⁶ The big step-level decrease in the indicator relating aid to intra-community trade when compared with the previous surveys can be explained by a change in the base used for calculating the absolute level of intra-community trade (see Technical Annex).

The generally lower figures for the EUR 15 in the years 1995 and 1996, compared with the EUR 12 figures for 1992-1994, not only reflect the decrease in the overall trend of aid levels in the Community, but also the generally lower levels of aid prevailing in the three new Member States with respect to the EUR 12 average.

12. From Tables 1 and 2, it can be seen that the absolute aid amounts and the three indicators used to mirror the tendency of aid to the manufacturing sector at Community (EUR 12) level largely coincide: they indicate a return to the downward trend observed in the past, which was only momentarily halted as shown by the findings of the previous survey.

Comparisons between Member States

13. Table 3 compares the average aid levels in the manufacturing sector for the different Member States⁷ for the periods 1992-1994 and 1994-1996⁸, expressed in per cent of gross value added and aid amounts per person employed in this sector. In addition, real term absolute amounts of aid are given for information.

⁷ Germany has been divided into the old and new Länder in order to show clearly the different development in the two German areas, marked by the unprecedented adjustment process of the new Länder economy to a market system.

⁸ As explained in point 6 above, detailed breakdowns by Member States can only be compared reliably if overlapping three-year averages are used. For an explanation of the methodology used for establishing the annual averages over the three-year-period 1994-1996 for the three new Member States, who have only been members for the years 1995 and 1996, turn to the Technical Annex (Annex I).

Table 3

**State aid to the manufacturing sector in the Community⁹
Annual averages 1992 – 1994 and 1994 – 1996**

	In per cent of value added		In ECU per person employed		In million ECU	
	1992 - 1994	1994 - 1996	1992 - 1994	1994 - 1996	1992 - 1994	1994 - 1996
Austria	-	1,3	-	626	-	448
Belgium	2,5	3,0	1310	1678	920	1149
Denmark	2,5	2,9	1120	1383	539	671
Germany	4,4	3,8	2091	1888	19851	16639
-Old Länder	:	:	527	455	4312	3192
-New Länder	:	:	10816	8216	15539	13447
Greece	6,5	6,3	987	863	722	662
Spain	1,8	2,7	512	837	1311	2101
Finland	-	1,6	-	911	-	365
France	2,4	1,8	1174	927	4931	3740
Ireland	1,7	1,5	818	838	198	215
Italy	6,4	5,8	2205	2151	10320	9760
Luxembourg	2,6	2,3	1555	1375	55	46
Netherlands	1,5	1,4	760	788	694	686
Portugal	2,5	1,9	443	371	467	382
Sweden	-	0,8	-	406	-	318
United Kingdom	0,9	0,9	245	263	1431	1513
EUR 12	3,5		1339		41439	37563
EUR 15		3,0		1238		38318

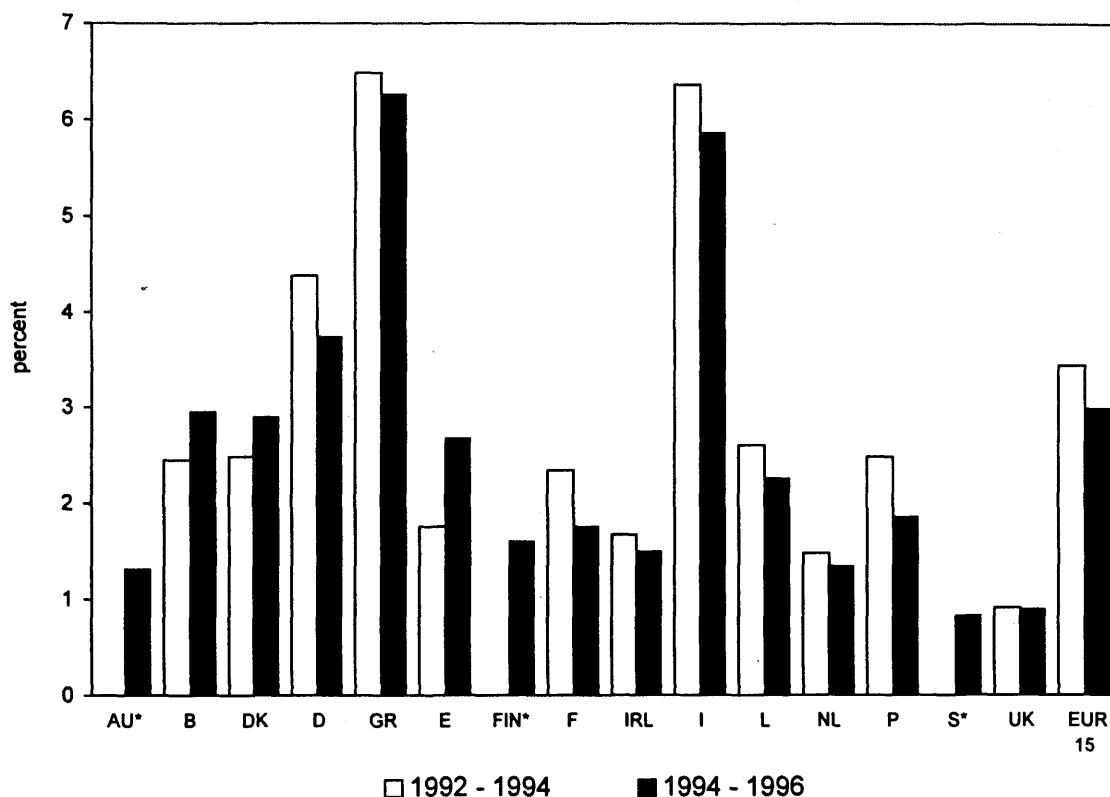
Averages in 1995 prices

⁹ The figures for 1994-1996 in Table 1 do not correspond with the average presented in Table 3, because the totals in Table 1 do not contain figures for the three new Member States for the year 1994. The 1994-1996 annual average obtained from Table 1 would therefore be somewhat lower than that shown in Table 3, which has been obtained by calculating the annual average of those years for which data is available and using this average for the whole period.

Figure 1

State aid to the manufacturing sector

As percentage of value added (averages 1992 – 1994 and 1994 – 1996)



* during the period 1992-1994, these countries were not yet members of the EU

The highest levels of aid to the manufacturing sector are to be found in Greece and Italy. These countries rank high above Community average. As noted above, the continuing uncertainty attached to the figures for Greece does not yet allow any further detailed comment.

Germany is also above the Community average with Belgium on Community average, while Denmark and Spain are slightly below.

The lowest aid to the manufacturing sector is given, in declining order, in Austria, the United Kingdom and Sweden. In all these countries aid is far below the Community average. Due to lack of statistics, aid in per cent of

value added for the two distinct parts of reunified Germany could not be calculated.

14. Aid per person employed in Italy is the highest of all Member States, followed by Germany. The extremely high figure for the new German Länder is due both to the high amounts of aid granted and a sharp decline in the number of employees in this part of Germany. The decrease as compared with the previous reporting period reflects that the peak of the restructuring process following German reunification in 1990 was already reached during the previous review period. At the same time, aid per person employed in the old Länder has continued to decline and is among the lowest in the Community. Belgium, Denmark and Luxembourg are above the Community average. The group of low aid givers now comprises, in descending order, Sweden, Portugal and the United Kingdom.

15. As a general conclusion on the differences in aid trends between Member States, it can be established that significant differences between the individual countries remain.

A comparison of the four big economies shows that in Italy aid to the manufacturing sector as a percentage of value added is more than 6 times higher than in the United Kingdom, 3 times higher than in France, and 1,5 times higher than in Germany. The observed disparity between these Member States can be partly explained by their differing views on the use of the State aid instruments.

When considering the overall differences in the Community under the aspect of cohesion, the trend now appears to be slightly more promising than the one identified in the previous survey where a direct comparison between the four large Member States and the four cohesion countries - Spain, Ireland, Portugal, and Greece - revealed that the relative importance of state support to the manufacturing sector was rising in the larger Member States at the expense of the cohesion countries. Table 3 shows that the volume of aid in the four cohesion countries has increased from 6,5 to 8,8% of total aid to the manufacturing sector in the Community of EUR 12 whilst the share of the four big economies of this aid, having been at around 88% in the period 1992-1994, has decreased to around 83% in 1994-1996. In this context it should also be noted that in addition to National State aid, the manufacturing sector benefits from

Community interventions via the Structural Funds (see Annex II, Figure A1). In relative terms, the largest beneficiaries from this expenditure are the four cohesion countries, which see their relative aid position improved to a level which better reflects their weaker socio-economic situation. The effectiveness of these Community instruments, however, depends crucially on their not being outweighed by an unbalanced development in the use of state aid measures.

16. It is evident from Table 3 that behind the decrease in the figures on overall aid to the manufacturing sector in the EUR 12 lies the considerable decrease in aid expenditure in Germany, both in the new and old Länder. This decrease is to some extent offset by an increase in aid to 5 countries

Aid to shipbuilding

17. In shipbuilding, a sub-sector of the manufacturing sector, the granting of aid is governed during the reporting period by the Seventh Shipbuilding Directive¹⁰, which applied from the 01/01/1991.

Table 4 shows contract related operating aid covering new constructions, conversions and fishing vessels, and thus reflects the aid intensities for which the Commission sets ceilings when implementing the shipbuilding directive. The aid ceilings under the prevailing Directive are 4,5% of contract value both for ships with a contract value of less than ECU 10 million and for conversions, and 9,0% of contract value for ships with a contract value of more than ECU 10 million.

In addition to operating aid, the shipbuilding sector can receive aid for restructuring. During the period under review restructuring aid totalling about ECU 1080 million has been given in Spain, Belgium and Portugal. In the new German Länder aid for restructuring between 1994 and 1996 adds up to about ECU 890 million.

When relating total aid given in the shipbuilding sector to the sector's value added the conclusion can be drawn that this is a heavily supported sector. As was seen earlier from Table 3, aid for the manufacturing sector amounts to 3,5% of the sector's value added; for the sub-sector of shipbuilding aid covers some 25% of the sector's value added.

¹⁰ OJ L 380 of 31.12.1990.

The Community average for aid to the shipbuilding industry strongly declined from 34% of value added for 1988-1990 to 24% for 1990-1992, thereafter stabilising around 25% for 1992-1994 and 1994-1996.

Table 4

Aid to shipbuilding in 1994-1996 in per cent of contract values of ships

	1994			1995			1996		
	Small Ships*	Large Ships*	Total	Small Ships	Large Ships	Total	Small Ships	Large Ships	Total
Austria	0	0	0	0	0	0	0	0	0
Belgium	4,31	0	4,31	0	0	0	0	0	0
Denmark	4,12	8,4	8,0	4,2	8,3	8,2	4,5	9,0	8,9
Germany	4,3	6,1	5,9	4,0	6,5	6,5	4,5	6,7	6,6
France	0	9,0	9,0	0,0	9,0	9,0	0,0	9,0	9,0
Finland	0	0	0	0	0	0	0	0	0
Spain	4,5	8,8	8,4	4,3	8,1	7,8	4,3	8,0	7,4
Greece	-	-	-	-	-	-	-	-	-
Ireland	0	0	0	0	0	0	0	0	0
Italy	4,5	9,0	8,5	4,5	9,0	8,8	4,5	9,0	8,7
Luxembourg	0	0	0	0	0	0	0	0	0
Netherlands	3,3	3,7	3,6	2,9	3,3	3,2	3,1	4,8	3,2
Portugal	0	8,8	8,8	0	0	0	0	0	0
Sweden	0	0	0	0	0	0	0	0	0
United Kingdom	4,8	0,7	1,6	4,3	8,6	8,2	4,3	6,0	6,0
EUR 12/15	-	-	-	-	-	-	-	-	-

* Small ships are those with a contract value of less than ECU 10 million. For these the maximum aid intensity allowed by the 7th Shipbuilding Directive is 4,5 % of contract value.

**Large ships are those with a contract value of more than ECU 10 million. For these the maximum aid intensity allowed by the 7th Shipbuilding Directive is 9,0 % of contract value.

- Note that a dash indicates missing information, whereas a zero indicates no aid.

State aid granted to European shipyards for the construction of ships for developing countries rose from a yearly average of 76 MECU during the

period 1992 – 1994 to 203 MECU in 1994 – 1996. The distribution by country is given below.

Table 5

Shipbuilding development aid - as decided upon by EC

	Million ECU				
	1992	1993	1994	1995	1996
Germany	0	21,6	185,96	108,82	103,44
Spain	0	19,4	0	55,98	33,14
Netherlands	0	0	0	34,18	48,89
France	0	0	0	39,19	0
Total	0	41	185,96	238,17	185,47

in current ECU

Aid to steel industry

18. In the other sub-sector of the manufacturing sector, steel, the granting of aid in the period under review was regulated under the fifth Steel Aids Code of 1991. After aid had been virtually phased out by the end of 1992, 1994-96 saw the formal adoption by the Commission of decisions under Article 95 ECSC Treaty concerning the restructuring of steel companies in the new German Länder, Spain, Italy, Portugal, Ireland, and Austria. Together these aids amounted to an annual average of around ECU 1500 million in 1994-96. This amount does not comprise aid granted in this sector for other objectives such as R&D, regional development and environmental protection.

Aid to the motor vehicle industry

19. Whilst there are no aid schemes in the EU that are specific to this sub-sector, State aid granted to the motor vehicle sector, mainly by way of regional and rescue and restructuring aid, is for the first time also the subject of analysis in this survey.

It is quite difficult at present to draw any conclusions as regards the general trend because of the very small number of cases (for example, in Italy in 1992 when one case amounted to 2928 MECU). The main conclusion is

that given the existence of a specific framework, the award of aid by Member States remains within limits.

Table 6

**State aid approved to the motor vehicle sector in the years 1992-1996
(not including cases below the notification ceilings)**

	Million ECU				
	1992	1993	1994	1995	1996
Austria	-	-	-	0	10
Belgium	11	0	0	33	0
Germany	159	112	307	3	340
Spain	8	48	39	328	202
France	0	32	0	0	83
Italy	2928	0	250	0	0
Netherlands	0	0	0	7	0
Portugal	0	0	0	0	103
United Kingdom	7	66	13	0	72
Total	3113	258	609	371	810

in current ECU

Types of aid instruments

20. Table 7 gives an overview of the use of the various types of aid instruments in the Member States.

Table 7

State Aid to the manufacturing sector 1994 – 1996 Breakdown according to type of aid

per cent

	TYPE OF AID						TOTAL
	Group A		Group B	Group C		Group D	
	Grants	Tax exemptions	Equity participation	Soft loans	Tax deferrals	Guarantees	
Austria	79	0	0	14	0	7	100
Belgium	54	35	1	3	0	6	100
Denmark	83	10	0	5	0	2	100
Germany	55	15	1	22	1	5	100
Greece	66	13	0	3	0	18	100
Spain	93	0	0	6	0	0	100
Finland	81	3	0	15	0	1	100
France	44	38	4	3	1	10	100
Ireland	89	0	0	0	0	11	100
Italy	43	42	9	6	0	0	100
Luxembourg	92	4	0	4	0	0	100
Netherlands	73	13	0	3	2	9	100
Portugal	82	8	0	2	0	8	100
Sweden	61	19	2	18	0	0	100
United Kingdom	88	5	0	2	1	4	100
EUR 15	57	23	3	13	1	4	100

Grants and tax exemptions, which have been classified in this Survey as group A forms of intervention, are by far the most frequently used form of aid in the Community. Within this group, direct grants are more often employed than tax exemptions. This can be explained by the fact that the former type of aid is more flexible than the latter. Since the introduction of grants is in general less "costly" in terms of parliamentary procedures than the introduction of changes to tax laws, governments have a preference to employ the former type of aid. It can also be noted that the relative share of

grants has increased considerably from the previous survey, accounting now for 57% of total aid expenditure in the EUR 15 whereas in 1992-1994 it accounted for 48% of the total aid expenditure of the EUR 12. At the same time, the relative share of tax exemptions has decreased from 26% to 23%.

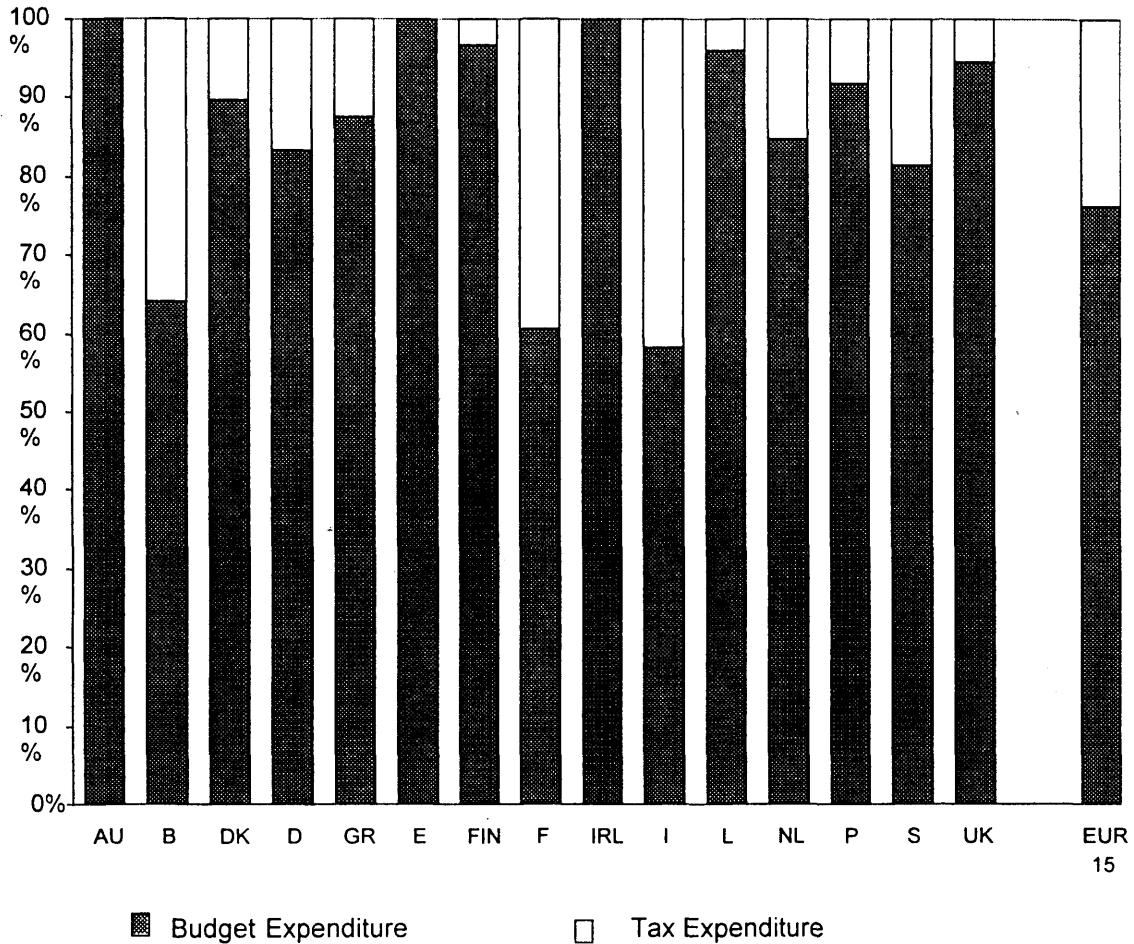
21. Aid in the form of state equity participation, classified under group B, represents 3% of all aid to the manufacturing sector granted in the European Union; the figure for this type of aid has decreased as during the period 1994 to 1996 very few financial transfers in the form of equity participation to public undertakings including an aid element took place.
22. Forms of aid classified in group C, i.e. loans at reduced interest rates and tax deferrals, are an important form of aid in Germany and Sweden. Member States generally avoid the award of soft loans because it puts a heavy burden on the budget. The figures for soft loans represent only the aid element; the gross budgetary resources necessary for these aids are much higher. This explains the low share in the manufacturing sector of this form of aid. Member States prefer to reduce the cost of loans by granting interest subsidies.

Tax deferrals, mainly accelerated depreciation and the constitution of tax-free reserves, is the form which is least used in the Community. Only the Netherlands, France, Germany and the United Kingdom grant support in this form.

23. Guarantees, group D, continue to be mainly used to help in rescue and restructuring operations and to foster the development of small and medium-sized enterprises. Although its share in industrial aid is the third smallest on average, it is a significant part of aid in Greece, Ireland and France. The calculation of the aid element of guarantees is particularly difficult and, therefore, they are, together with equity participation, a very non-transparent form of State aid.

Figure 2

State aid to the manufacturing sector
Distribution by tax expenditure and budgetary expenditure 1994-1996



24. Figure 2 gives a breakdown of aid to the manufacturing sector according to the mode of financing. Budgetary expenditure, which is composed of grants, equity participation, soft loans, and guarantees, is the preferred way of financing aid in the European Union. This holds particularly for Spain, Austria and Ireland, where all aid is financed through the budget, and Finland, Luxembourg, the United Kingdom and Portugal, where more than 90% is financed through the budget. In contrast, tax expenditure, i.e. tax rebates and tax deferrals, is used to a large extent in Italy, France and Belgium.

Objectives of aid

25. Aid to the manufacturing sector is also classified according to the principal purposes for which it is given or the sector to which it is directed, as follows:

Horizontal objectives

- Research and Development
- Environment
- Small and medium-sized enterprises
- Trade
- Energy saving
- General investment
- Other objectives (mainly rescue and restructuring)

Particular sectors

- Shipbuilding
- Steel
- Other sectors

Regional objectives

- Regions falling under Article 92(3)a
- Regions falling under Article 92(3)c
- (Only for Germany) Berlin and Zonenrand aids.

The classification of aid is, in many cases, somewhat arbitrary because it is necessary to decide which of the objectives declared by a Member State is to be considered as the primary objective. In some Member States, aid for research and development is administered through sector specific R&D programmes, in others aid to particular sectors is limited to small and medium-sized enterprises, etc. Furthermore, primary objectives cannot give a true picture of the final beneficiaries: a large part of regional aid is in fact paid to small and medium-sized enterprises, aid for research and development goes to particular sectors, and so on.

Consequently, conclusions about changes from one objective to another over time and, notably, conclusions about differences in objectives between Member States can only be drawn with caution. The following Table 8 gives the breakdown of aid to the manufacturing sector according

to objectives during the period 1994-1996, and Table 9 indicates the changes over time for the three main objectives pursued by the EUR 12.

26. It can be seen from the percentages presented in Table 8 that 56% of industrial aid in the Union is spent on regional objectives. Amongst these aids, it appears from the data that eight and a half out of every ten ECUs are going to areas where the living conditions are particularly low, the so-called Article 92(3)a regions¹¹. The regions which benefit most from this category of aid are located in Germany, Greece, Ireland and Italy as can be seen from the high percentages for this aid objective in these Member States.
27. Aid granted for horizontal objectives is ranked second. Amongst these, support for research and development¹² is given highest priority. Although aids for such horizontal objectives may in many cases be in the Community interest, they present, nevertheless, the drawback that their impact on competition is often difficult to assess because little or no information is available about their sectorial and regional repercussions. This is the case notably in their extreme form as general investment schemes where the objectives are so poorly defined that no general judgement can be made and the Commission is bound to examine all major cases of application. With regard to the functioning of the internal market, the existence of such general schemes was therefore, increasingly difficult to justify and consequently the grant of such aid was prohibited. Whilst the Commission exercises a general ban on export aid, programmes which provide soft non-product related aid are generally found to be compatible with the common interest. Moreover they are usually established to support SME's. This category also comprises some aid that complies with the conditions laid down in the OECD consensus for officially supported export credits.
28. Some 13% of industrial aid in the Community are spent on particular sectors. Having been virtually phased out in the previous period under the strict Steel Aids Code of 1991, the Commission, starting in 1994 has taken decisions under Article 95 ECSC that allow aid to flow into the steel sector for major restructuring, as witnessed by the figures for 1994-1996.

¹¹ A list of these regions is given in Annex I, point 9.2.

¹² For the reasons explained in Annex I, point 11.1, the R&D figures contained in Table 6 are certainly underestimated.

29. The situation in each Member State as regards the overall composition of aid to the manufacturing sector is as follows:
- In Belgium, horizontal aid which has increased during the period under review forms the majority of spending (46%) which is far above the average in the European Union. The increase is accounted for by one single scheme, for which the Belgian government must seek repayment and which, at the time of such repayment, will be withdrawn from the figures. SMEs are the most notable horizontal objective. Sector specific aid (29%) is quite high whilst regional aid (25%) is relatively high for a geographically compact Member State without any 92(3)a regions.
 - In Denmark, the largest proportion of aid is horizontal (84%) and comprises essentially aid for energy saving, environmental protection and R&D aid. The sector specific aid (14%) is mostly aid to shipbuilding. Regional policy at 2% is not significant.
 - In Germany, horizontal aid accounts for 19%, which is low compared with the average in the European Union. Almost two thirds of this aid is spent on research and on SMEs. Sector specific aid (7%) is also low. The most important item is regional aid (75%), the overwhelming part of which consists of 92(3)a aid for the New Länder (including aid granted via the Treuhandanstalt/BvS). This aid has decreased considerably in absolute terms when compared with the previous period reviewed.
 - In Greece - the figures are considered too unreliable for detailed comments.
 - In Spain, 24% of the aid is spent for horizontal objectives, mainly for SMEs and for research and development. Sector specific aid represents 63% of total aid to the manufacturing sector, constituting thus the highest proportion of aid directed to specific sectors in the Community. With 13%, regional aid is low for a country where presently 54% of the population live in 92.3a regions.
 - In France, 51% of the manufacturing sector aid has horizontal objectives. 15% of the volume of aid is directed to specific sectors,

although in certain cases for R&D or in the form of parafiscal levies¹³. Regional policy accounts for 34% of the aid.

- In Ireland, regional aid (56%) still forms the bulk of spending although it has decreased considerably from the previous period reviewed. Horizontal objectives attract 37% of spending while 7% goes to particular sectors. As far as the decrease in Ireland's share of total Community the manufacturing sector aid is concerned, attention is drawn to the point raised under Conceptual Remarks, p. 4-5.
- In Italy, horizontal aid accounts for 31%. The most important aid category is regional aid (58%). Almost all regional aid goes into the 92(3)a regions of the country, the Mezzogiorno. Sectorial aid accounts for 11%.
- In Luxembourg, the most important item is regional aid (65%) which is very high for such a compact country, followed by aid to SMEs (21%) and aid to R&D (7%).
- In the Netherlands, horizontal aid (74%) is by far the biggest item and considerably larger than the average in the European Union. Within horizontal aid, energy saving and R&D absorb most. Aid to particular sectors represent 10% of total aid to manufacturing. As with Belgium, regional aid (17%) is relatively important for a geographically compact Member State without any 92(3)a regions.
- In Portugal, sector specific interventions at 52% are high. "Other objectives" almost exclusively absorb aid for horizontal objectives (24%). The latter ones are mostly cofinanced by the Commission and are more akin to the regional aid given in 92(3)a regions because the whole territory of Portugal, as with Ireland and Greece, is considered by the Commission as constituting a 92(3)a region.
- In Finland, 74% of the aid is spent on horizontal objectives, mainly on R&D and SMEs. Spending on particular sectors, at 2%, is the lowest in the Community. Regional aid accounts for 23% of total aid.

¹³ Parafiscal levies are taxes specific to a sector which are used to finance certain operations in that sector.

- In Sweden, 34% of the aid is spent on horizontal objectives, mainly on SMEs and R&D. Sector specific spending is low at 4%. Regional aid at 61% accounts for the bulk of the spending.

- In the United Kingdom, regional aid (59%) forms the biggest group of support. A considerable part of the aid is spent in Northern Ireland which is a 92(3)a region. Horizontal aid accounts for 22% of which aid to R&D is the main item. Sectorial aid totals 19% of aid to the manufacturing sector

- In Austria, horizontal aid forms by far the largest group of spending, with R&D, environment and SMEs being the main beneficiaries. Sector specific spending is on par with the Community average. Regional aid is low at 13%.

Table 8

State aid to the manufacturing sector 1994 - 1996
Breakdown of aid according to sector and function

per cent

SECTORS / FUNCTION	AU	B	DK	D	GR	E	FIN	F	IRL	I	L	NL	P	S	UK	EUR 15
Horizontal Objectives	74	46	84	19	31	24	74	51	37	31	33	74	24	34	22	30
Research & Development	19	10	29	7	2	7	35	28	6	3	7	20	4	11	12	9
Environment	16	0	10	1	0	1	2	1	0	0	5	10	0	5	0	1
SME	13	21	5	5	2	10	21	6	17	6	21	8	0	16	4	7
Trade	0	4	7	0	15	0	10	11	3	9	1	3	0	0	5	3
Energy saving	1	0	34	2	0	1	4	1	1	1	0	31	2	3	0	2
General Investment	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0
Other Objectives	24	11	0	4	12	4	2	5	10	12	0	3	19	0	1	7
Particular Sectors	13	29	14	7	3	63	2	15	7	11	2	10	52	4	19	13
Shipbuilding	0	2	10	4	0	20	0	1	0	2	0	7	4	0	1	4
Other sectors	13	27	4	3	3	43	2	14	7	9	2	3	48	4	18	10
Regional Objectives	13	25	2	74	66	13	23	34	56	58	65	17	24	61	59	56
Regions under 92(3)c	10	25	2	3	0	9	23	22	0	1	65	17	0	61	36	7
Regions under 92(3)a	3	0	0	69	66	4	0	12	56	57	0	0	24	0	23	48
Germany: Berlin/Zonenrand)	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	1
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 9

**State aid to the manufacturing sector 1992 – 1994 and 1994 – 1996
Breakdown to main objectives**

per cent

	Horizontal Objectives		Particular Sectors		Regional Objectives	
	1992 – 1994	1994 - 1996	1992 - 1994	1994 - 1996	1992 - 1994	1994 - 1996
Austria		74		13		13
Belgium	56	46	19	29	26	25
Denmark	73	84	26	14	1	2
Germany	14	19	6	7	80	74
Greece	53	31	20	3	27	66
Spain	38	24	43	63	19	13
Finland		74		2		23
France	70	51	11	15	19	34
Ireland	36	37	0	7	63	56
Italy	35	31	12	11	53	58
Luxembourg	29	33	0	2	70	65
Netherlands	76	74	5	10	19	17
Portugal	23	24	36	52	41	24
Sweden		34		4		61
United Kingdom	32	22	16	19	53	59
EUR 15	31	30	11	13	58	56

30. As regards the development over time of the distribution of the manufacturing sector aid amongst the different main objectives, it can be seen from Table 9 that at the level of the EUR 12, aid for horizontal objectives has fallen from 40% in 1988-90 (see Fourth Survey on State aid in the European Union) to 35% in 1990-92 (see Fifth Survey on State aid in the European Union), and 31% in 1992-94, and then stabilised, for EUR 15, at around 30% in 1994-1996. The proportion of regional aid has remained high, while sector specific interventions has risen slightly.

The apparent gradual move from horizontal objectives to sectorial interventions, is a cause for some concern given the potentially distortive effect of sectorial aid. Of course both horizontal and sectorial categories of aid can be used for more or less hidden and unwanted purposes of industrial policy (support of single companies as national champions or protection of sectors which are allegedly of vital national interest) and have a particularly

negative effect upon competition. However, horizontal aid given to all sectors of the economy is less suitable for the protection of certain sectors or national champions than sector specific interventions.

State aid given on an ad-hoc basis

31. Table 10 shows that as was already the case with the previous survey, that high volumes of aid continued to be granted on an ad hoc basis to individual enterprises. This type of aid falls outside schemes promoting horizontal, sectorial or regional objectives. In the sectors manufacturing, financial services and air transport taken together, a limited number of individual aids of important volume are thus responsible for a disproportionate part of total aid granted. Ad hoc aid, which is granted mainly for rescue and restructuring of companies, increased in volume from 6% in 1992 to 16% in 1996. If aid granted to the new German Länder via the Treuhandanstalt is added - such aid can be considered close to ad hoc aid - the share in overall aid increased from 19 to 29 percent.

Table 10

State aid on an ad-hoc basis and Treuhand aid awarded in the manufacturing, financial services and air transport sectors in the Member States in the years 1992 to 1996

	1992		1993		1994		1995		1996	
	in MECU	in % of total aid	in MECU	in % of total aid	in MECU	in % of total aid	In MECU	in % of total aid	in MECU	in % of total aid
Ad-hoc aid	2422	6	5742	13	6922	16	5776	14	5888	16
Treuhand aid	5161	13	8854	20	11013	25	6682	16	4839	13
Total aid	39062	100	44800	100	43466	100	41732	100	37677	100

Table 11

State aid on an ad-hoc basis awarded in the manufacturing, financial services and air transport sectors in the Member States - annual averages 1992-1994 and 1994-1996

	1992 - 1994		1994 - 1996	
	in MECU	in percent	in MECU	in percent
Austria	0	0	65	1
Belgium	31	1	29	0
Denmark	0	0	0	0
Germany	686	14	584	10
Greece	75	1	44	1
Spain	473	10	1088	18
Finland	0	0	0	0
France	1663	33	2532	41
Ireland	53	1	58	1
Italy	1864	37	1453	23
Luxembourg	0	0	0	0
Netherlands	0	0	0	0
Portugal	184	4	365	6
Sweden	0	0	0	0
United Kingdom	0	0	0	0
EUR 12/15	5029	100	6218	100

German State aid to the new Länder

32. During the period under review, the process of reorganising the economy of the new Länder of Germany continued. The reunification of Germany is of particular importance for Community State aid policy. The transition from a centrally planned economy under State control typified by insufficient infrastructure and uncompetitive enterprises, to a decentralized market economy based essentially on private initiative and the need to develop the economy – could not be achieved without considerable financial transfers from the old into the new Bundesländer.

It was therefore unavoidable that the integration of the centrally planned East German economy into the internal market had to be facilitated by substantial amounts of national aid. During the period under review, a yearly average volume of almost 13,5 billion ECU was granted in aid to manufacturing in the new Länder. This, although on high level, is a marked decline in comparison with 1992-1994, where 15,5 billion ECU were spent. The decline shows that the main repercussions on State aid of restructuring the economy of the new Länder occurred in the previous period. In addition, this reduction is accompanied by an even sharper decrease in aid to the old German Länder which has fallen from 8,9 billion ECU in 1990-1992 and 4,3 billion ECU in 1992-1994 to a low of only 3 billion ECU in 1994-1996. These substantial reductions show the commitment of the German government to shift its efforts to the new Länder without increasing the overall level of aid in Germany. Whereas in 1990-1992 the old Länder absorbed 53 percent of all aid to manufacturing in Germany, they only received 19 percent of the total in the period under review. The breakdown into the different forms of the aid to the new Länder is given in Table A3 in Annex II.

In the context of privatising the former state-owned companies, aid during the period under review was also granted via the Treuhandanstalt (THA), the State holding company set up to administer, adapt, and privatize former East German public undertakings, and its successor, the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS). As laid down in the Commission's decisions of 1991, 1992 and 1995 on the interventions of the THA, some of these interventions may constitute aid. This was usually the case where the THA issued guarantees for loans granted by the banking sector at market rate to its generally poor-ranking undertakings. Equally, the

THA itself borrowed at market rate and then awarded loans to its undertakings at the same rate.

In the case of the THA/BvS, the Commission is of the opinion that the method used for the assessment guarantees and loans (see Annex I) undervalues their aid element in the period covered by the Sixth Survey.

In the period covered by the present Survey including 1996 when normal state aid rules applied guarantees totalling ECU 2776 million and loans amounting to a total of ECU 13484 million were given. Based on its previous experience, the Commission is of the opinion that 20% of these amounts can be regarded as aid, which are included in the Survey. In addition, grants totalling ECU 4097 million in order to finance social plans were included in their totality.

PART II - OVERALL NATIONAL AID IN THE MEMBER STATES

Aid to sectors other than the manufacturing sector

33. The following gives an overview of State aid granted in the agriculture, fisheries, transport – railways and airlines –, financial services and energy (coal mining) sectors on the basis of available information. The totality of aid awarded in these sectors together with that discussed in Part I of this Survey would constitute the overall national State aid reported by the fifteen Member States. Unfortunately, due to the fact that some Member States have not been able to supply complete information in all of these sectors, particularly agriculture, the overall amount is not a sufficiently viable figure and therefore interpretation of data given in this section must be made with utmost caution.

Aid to agriculture

34. In sectors such as agriculture where a highly developed Community policy is in operation, the limits for granting State aid are, to a greater extent, determined by this common policy. Thus, although Articles 92-94 of the EC Treaty apply in principle to agriculture as to other sectors of the economy, Article 42 specifies that the extent to which these articles apply to agriculture should be decided by the Council. Hence the Council has limited Member States' freedom to grant State aid in certain areas of policy:

- (i) Support of markets in most agricultural products (Council Regulations governing the common market organisations).

Aid, using exclusively Community (i.e. EAGGF) resources, is payable only on the basis of Council rules which provide *inter alia* for a common system of intervention buying and export refunds and, further to the reform decisions of May 1992, compensatory aid in the various sectors for price reductions in conjunction with compulsory set-aside.

- (ii) Support for improving farm structure (Council Regulation (EEC) No 2328/91).

Aid concerning productive investments on agricultural holdings is determined to a large extent by the provisions of the above-mentioned Council Regulation and partly Community cofinanced.

The reporting situation in the field of agriculture is unsatisfactory. Several Member States have failed to deliver to the Commission comprehensive information on their aid expenditure in this sector. Until the Fourth Survey, the Commission, when faced with this situation, made extrapolations and estimates in order to close the gaps. In the previous Survey (5th) as in the present Survey, in contrast, the gaps are left intact and only available data are used for the two periods 1992-1994 and 1994-1996.

Taking account of the data situation, Table 12 relates total State aid (including the national contribution to the socio-structural measures under (ii) above) in respect of products listed in Annex II of the EC Treaty - plant and livestock production and primary processing activities - to gross value added of agricultural production at the level of the holding. It will be noted that national aid taken into account in this table applies to a broader spectrum of activities than the base retained for gross value added. Data covering the whole reporting period were available from two Member States, whilst data covering only a part of the period were available from five others. No data were available from the remainder.

Table 12

**National aid in respect of products listed in Annex II of the EEC Treaty
As a percentage of gross value added of agricultural production in 1992–1994,
1994–1996**

	per cent	
	1992 - 1994	1994 - 1996
Austria		N.A.
Belgium	9,6	6,8
Denmark	5,2	2,8
Germany	27,3	12,4
Greece	N.A.	N.A.
Spain	N.A.	N.A.
Finland		N.A.
France	2,7	N.A.
Ireland	N.A.	N.A.
Italy	N.A.	N.A.
Luxembourg	N.A.	N.A.
Netherlands	5,0	4,0
Portugal	7,6	N.A.
Sweden		N.A.
United Kingdom	7,0	2,9
EUR 15	N.A.	N.A.

* German agriculture aid figures include aid in the form of VAT concessions (VAT plus per hectare aid) awarded in compensation for price reductions flowing from agri-monetary changes. Of the total shown, some 10-percentage points of gross value added are accounted for by this aid.

This table should be read in conjunction with point 34 (above) and point III.10.2 of the Technical Annex.

It may be noted that the concept of total national aid encompasses individual categories of aid, which may present differing levels of relevance in terms of competition policy. Therefore, it may be argued that aid for measures such as productive investment and publicity is more likely to potentially have an effect upon trade than aid which is destined simply to compensate operators for services rendered, for example, access to the countryside and aid to offset the financial burden of natural disasters. A broadly similar argument might apply to aid financed by certain parafiscal taxes where, though such aid from a legal viewpoint is considered as State aid, the economic burden falls exclusively upon the beneficiaries themselves.

Further, it should be noted that the data in Table 12 do not provide an accurate picture of the total level of support granted to agriculture in the Community or in any particular Member State. The annual publication by the Commission entitled "The Agricultural Situation in the Community" provides data inter alia on Community aid for agriculture.

In view of the above, no conclusions concerning the possible impact on trade from the data in Table 12, or indeed from any data relating to global volumes of aid in agriculture, can be drawn (see Annex I, Section III for details).

Aid to fisheries

35. In the fisheries sector, national aids closely follow the development of and the limits imposed by the Common Fisheries Policy (CFP) thereby contributing to the realisation 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 a common aim.

Tables 13 and 14 show national aids and Community intervention in favour of the Community's fishing fleet, the commercialisation, and first-stage processing of the products.

Table 13

**Aids to fisheries in per cent of gross value added* in this sector,
Calculated on the basis of quantities landed and average prices
In 1992 – 1994, 1994 – 1996**

	per cent	
	1992 – 1994	1994 - 1996
Austria		
Belgium	3,0	2,0
Denmark	4,0	2,0
Germany	13,2	14,6
Greece	0,2	0,1
Spain	6,0	3,0
Finland		17,8
France	3,7	4,1
Ireland	9,3	8,4
Italy	8,4	8,4
Luxembourg		
Pays-Bas	8,9	9,5
Portugal	2,4	2,2
Sweden		8,2
United Kingdom	4,1	3,2
EUR 12/15	5,6	4,9

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

Table 14

**Community interventions in the fisheries sector in the framework of the
common organisation of the market and structural policy 1992-1996.**

	Million ECU				
	1992	1993	1994	1995	1996
Guarantee	32,1	32,4	35,5	36,9	34,1
Guidance	358,4	401,8	391,1	471,1	382,2

Aid to services

36. As explained in the Conceptual Remarks, p.7, aid granted to the air transport and financial services sectors has been highlighted.

Aid to the financial services sector

37. In contrast with the above downward trend in aid to the manufacturing sector, aid (mostly ad-hoc) that was granted to the financial services sector has risen from an annual average of 340 MECU in 1992-1994, to 1270 MECU in the latest reporting period. Although these amounts are relatively small when compared with the overall aid figures, the rapid increase and concentration in a small number of companies in this sector in one country, means that continued vigilance must be exercised. Strict application of the rescue and restructuring guidelines will continue and, the contribution of aid to the restructuring operations will be monitored closely.

Aid to the air transport sector

38. Aid (mostly ad-hoc) granted to the air transport sector doubled from a yearly average of 660 MECU during the period 1992-1994 to 1370 MECU in 1994-1996; a rise that reflected a transient phenomena during this period. Previously enjoying protection, this sector has, following gradual liberalization, been opened up to greater market forces which has resulted in major restructuring programmes. Aid to this sector, representing only 1.5% of overall aid or 3% of aid to the manufacturing sector, has contributed to this restructuring process of the companies concerned and attenuated the social consequences caused by such restructuring. To strengthen its control, in 1994 the Commission adopted strict guidelines on State aid to this sector.

Aid to railway transport

39. Table 15 shows aid to railways as a percentage of value added in this sector. Whilst most aid is given to compensate for the imposition of social obligations or inherited liabilities on railways (Council Regulation 1191/69, as amended by Council Regulation 1893/91, and Council Regulation 1192/69) aid in percent of value added remains high. However, as recent figures for value added were not always available estimates were used and, therefore, these figures should be interpreted with caution.

Table 15

State aid to transport (Railways) in per cent of gross value added in inland transport services 1992 – 1994, 1994 – 1996

per cent

	1992 – 1994		1994 - 1996	
	total aid	of which Regulat. 1191/2-69	total aid	of which Regulat. 1191/2-69
Austria			13,0	0,0
Belgium	40,5	18,1	37,6	14,1
Denmark*	12,7	3,7	10,5	1,4
Germany*	40,1	21,4	38,3	11,3
Greece*	14,9	0,4	15,4	0,4
Spain*	23,1	1,1	20,5	0,0
Finland			1,4	0,0
France	25,6	5,2	25,7	0,0
Ireland*	8,5	4,5	6,7	4,5
Italy	9,8	3,1	9,1	2,8
Luxembourg**	87,3	84,8	34,8	34,4
Netherlands	17,1	8,2	19,9	2,0
Portugal*	6,8	3,5	5,6	4,4
Sweden			30,2	0,0
United Kingdom	6,8	6,7	9,2	9,1
EUR 12/15	25,2	10,3	29,4	7,2

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

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

Aid to coal mining

40. Table 16 gives the aid to coal mining divided into aid not going to current production and aid granted to current production. The latter is expressed in ECU per person employed in the manufacturing sector and as the share of the total aid to the sector. The general trend in the two main coal producing Member States is for an increase in the amount of aid per person employed compared with the previous period. After halting all aid to current production during the period 1990-1992 the United Kingdom saw a minuscule amount of aid to current production in 1992-1994 and 1994-1996 as draconian restructuring of the coal industry took place prior to privatisation. In Belgium the last colliery closed in the summer of 1992 and in Portugal at the end of 1994.

Table 16

State aid to Coal Industry 1992 - 1994 and 1994 - 1996

	Yearly average of aid not destined to current production ** (in MECU)		Yearly average of aid destined to current production (in ECU and per cent)			
	1992-1994*	1994-1996	1992 - 1994*		1994 - 1996	
			per employee	in % of total	per employee	in % of total
Belgium	539	-	14.973	3	-	-
Germany***	3.745	134	52.096	60	58.383	98
Spain	657	236	16.865	44	21.822	76
France	2.212	608	13.800	10	9.848	20
Portugal	2	2	8.617	75	1.881	26
United Kingdom	286	976	237	2	575	1
TOTAL	7.420	1.862	34.096	46	41.328	77

* in 1995 prices

** Following Commission Decision 3632/93/ECSC, from 1994 figures on the financing of social benefits are no longer included by the Commission in its annual report on aid in this sector.

*** The 1994 figures for aid to current production for Germany include an exceptional financial measure of DM 5 350 million to clear the debts of the compensation fund as they stood at the end of 1993.

After declining in the previous years, the share of aid going to current production rose from 46% of the total aid for the period 1992-94 to 77% during the period 1994-96-(a tendency which persists even if the financing of

social benefits had been included in the 1994 aid figures.) The average aid, destined to current production, per employee in the manufacturing sector has risen from 23 500 ECU in 1990-1992 to 34 000 ECU in 1992-94 and 41 000 ECU in 1994-1996. This is at odds not only with the objectives of the restructuring and rationalisation of the Community coal industry but also with the establishment of the single market.

Of the aid not going to current production, the majority is to cover the social and redundancy costs resulting from the contraction of the manufacturing sector. The average number of employees in the sector had decreased to 132.000 in 1996 from 153.000 in 1994, compared with 215.500 in 1992 and 270.000 in 1990, with important recent decreases in Germany and the United Kingdom being offset by recent increases in Spain.

In the case of Germany and Spain a coal reference price system has been in operation for a number of years which keeps domestic prices net of subsidies considerably above world market prices. Although such a measure has an effect equivalent to an aid, the usual indicators that are shown in Table 16 cannot reflect it. Therefore, the figures should be taken as an overview and not an accurate indicator of the protection afforded by aid.

The new Community framework Decision 3632/93/ECSC on State aid to the coal industry has tightened the definition of aid to cover:

- any direct or indirect measure or support by public authorities linked to production, marketing and external trade which, even if it is not a burden on public budgets, gives an economic advantage to coal undertakings by reducing the costs which they would normally have to bear;
- the allocation, for the direct or indirect benefit of the coal industry, of the charges rendered compulsory as a result of State intervention;
- aid elements contained in financing measures taken by Member States in respect of coal undertakings, which are not regarded as risk capital, provided to a company under standard market-economy practice.

To increase transparency, Member States are also required to enter aid in their "national, regional or local budgets or channelled through strictly equivalent mechanisms" after a transitional period not exceeding December

1996. All aid received by coal undertakings has to be shown together with their profit and loss accounts "as a separate item of revenue, distinct from turnover" from 1994 onwards.

Finally, operating aid is defined as "the difference between production costs and the selling price freely agreed between the contracting parties in the light of the conditions prevailing on the world market". The new Decision stipulates that "arrangements existing at 31 December 1993, under which aid was granted in conformity with the provisions of Decision 2064/86/ECSC and which are linked to agreements between producers and consumers, exempted under Article 85(3) of the EC Treaty and/or authorised under Article 65 of the ECSC Treaty, must be modified by 31 December 1996" to bring them into line with the provisions of the new Decision 3632/93/ECSC. For some Member States, this will result in an increase in aid amounts as the coal reference price systems are abolished.

41. For both railways and coal the observed aid amounts are high. Competition between coal industries has been stifled; the impact of these aids on the wider markets in transport and energy cannot be ignored. As these markets are becoming integrated with the completion of the single market, competition is becoming increasingly important. The declared will of the Community to open up the transport and the energy markets render a strict aid control policy by the Commission in these sectors more and more important. The Survey will, in future, have to contain data on forms of transport other than railways and forms of energy other than coal in order to provide a basis for the full assessment of the impact of aids in these sectors. In the transport sector, however, the assessment of distortions of inter-modal competition is made more difficult by the question of imputing infrastructure, environmental, and surveillance costs.

Volume of overall aid in the Community

42. The volume of State aid in the Community, given in the sectors covered by this survey and taking due account of the (regrettably continuing) incompleteness of data for reasons described above, amounts on average over the period 1994-96 to almost 84 billion ECU, as can be seen from Table 17. Because of missing data on most Member States' expenditure in the agricultural sector, figures on aid in this sector have been removed from the overall total. The total aid amounts are therefore underestimated and the

figures presented in this Survey are not comparable with those presented previously.

Table 17

Overall national aid in the Member States 1992 - 1994 and 1994 - 1996¹⁴

	Million ECU	
	1992 - 1994	1994 - 1996
Overall national aid	87.962	83.655
of which:		
- Manufacturing sector	41.439	38.318
- Agriculture	N.A.	N.A.
- Fisheries	356	301
- Services	32.375	36.555
- Coal	13.792	8.481

Table 18 shows Member States' total aid expenditure as a percentage of gross domestic product, per person employed, and relative to total government expenditure. Because of the omission of data on aid to agriculture, the ratios are underestimated and not comparable with those presented in previous surveys.

¹⁴ The totals include no figures on aid given to the agricultural sector.

Table 18

Overall national aid in the Member States 1992 - 1994 and 1994 - 1996 in per cent of GDP, per person employed and relative to government expenditure.

	In per cent of GDP*		In ECU per person employed		In per cent of total Government Expenditure	
	1992 - 1994	1994 - 1996	1992 - 1994	1994 - 1996	1992 - 1994	1994 - 1996
Austria		0,6		325		1,1
Belgium	1,5	1,3	829	735	2,8	2,4
Denmark	0,9	0,9	467	481	1,5	1,4
Germany	2,3	1,9	1.132	978	4,5	3,7
Greece	1,3	1,1	260	253	2,4	2,4
Spain	1,1	1,2	362	392	2,4	2,5
Finland		0,4		214		0,7
France	1,2	1,1	641	574	2,3	1,9
Ireland	1,0	0,8	335	312	2,3	2,1
Italy	2,2	2,0	781	754	4,0	3,8
Luxembourg	2,1	1,0	1.269	623	4,6	2,2
Netherlands	0,6	0,7	343	379	1,1	1,2
Portugal	0,8	0,9	150	162	2,0	2,1
Sweden		0,7		346		1,1
United Kingdom	0,3	0,5	121	170	0,8	1,1
EUR 15	1,5	1,4	631	573	2,9	2,6

1992-1994, in 1995 prices

* As figures on aid to agriculture have been omitted from the overall aid totals, the GDP figures have been adjusted correspondingly by subtracting the value-added for the agricultural sector from these.

Budgetary impact of aids

43. In Belgium, the financing of State aid is equivalent to 33% of the high budget deficit and amounts to 4,0% of GDP in 1994-96. In Germany, where the budget deficit in 1994-96 was 3,0% of GDP, the financing of State aid is equivalent to 59% of the deficit for the period. Finally, in Italy, where the annual budget deficit is around 7,9% of GDP in 1994-96, the financing of the overall aid amount accounts for 26% of the deficit. Compared with the preceding period, there has only been a marginal decrease in the budget deficit in Italy while the share of the deficit necessary for financing the aid has increased. For the reasons explained above, the overall aid figures for all Member States are underestimated, resulting in an underestimation of the ratio of the financing of aid to the budget deficit.

44. Table 19 shows a breakdown of overall national aid into the main sector of the economy. Due to the lack of data in agriculture, the indication can only be taken as a rough approximation.

Table 19

Overall national aid in the Member States 1992 – 1994 and 1994 - 1996
Broken into main sectors.

per cent

	Overall State Aid in the Member States									
	Manufacturing		Fisheries		Services		Coal		TOTAL	
	1992-1994	1994-1996	1992-1994	1994-1996	1992-1994	1994-1996	1992-1994	1994-1996	1992-1994	1994-1996
Austria	0	41	0	0	0	59	0	0	0	100
Belgium	30	42	0	0	52	58	18	0	100	100
Denmark	46	56	1	1	52	44	0	0	100	100
Germany	50	49	0	0	27	34	23	17	100	100
Greece	74	68	0	0	26	32	0	0	100	100
Spain	28	42	2	1	44	37	26	20	100	100
Finland	0	88	0	1	0	11	0	0	0	100
France	35	29	0	0	48	65	17	6	100	100
Ireland	50	55	3	3	47	42	0	0	100	100
Italy	58	58	1	1	41	41	0	0	100	100
Luxembourg	21	35	0	0	79	65	0	0	100	100
Netherlands	38	32	2	2	60	66	0	0	100	100
Portugal	69	52	1	1	29	47	1	0	100	100
Sweden	0	23	0	1	0	77	0	0	0	100
United Kingdom	47	35	1	1	43	42	10	23	100	100
EUR 15	47	46	0	0	37	44	16	10	100	100

RESULTS

45. With the publication of this Sixth Survey on State aid in the European Union, the Commission and the Member States reaffirm their commitment to a continuing high level of transparency in the field of public support to the economy. The document contains a detailed analysis of the volumes of national aid, broken down into the different forms and the various objectives pursued by Member States. The data collected and analysed serve the Commission, by making available a sound statistical basis, in its continuous endeavour to improve its State aid policy. The Survey serves, furthermore, the Community in the wider international context by reflecting, in a coherent and transparent way, the determined will of the Community to eliminate distorting aid that is incompatible with the internal market and to keep overall aid levels under control. It thus underlines the Community's commitment to a free world market.
46. As regards aid to the manufacturing sector the figures lead to the conclusion that the aid awarded in the European Union has returned to the modest downward trend in the overall levels of aid observed in the past. The findings of the previous survey that indicated a halt in this downward trend would thus appear to have been an exception to the historical tendency. The aid awarded to the manufacturing sector in the 15 Member States in 1994-96, amounts to an annual average of some 38,3 billion ECUs. For the EUR 12 the corresponding figure is 37,5 billion ECUs compared with 41,4 billion ECUs in 1992-1994.

The disparities between the different countries in the award of aid remain large. In terms of aid to the manufacturing sector in per cent of value added the highest aid level observed is nine times the lowest aid level. It should also be noted that the decrease of the overall volume of aid to the manufacturing sector for the EUR 12 is in fact due to decreases in aid levels seen in Germany – where the decrease is considerable -, France, Greece, Italy, Luxembourg,

the Netherlands and Portugal being offset to some extent by increases in aid observed in Belgium, Denmark, Spain, Ireland and the United Kingdom.

When considering the overall differences in the Community under the aspect of cohesion, however, the observed trend now appears to be slightly more promising than the one identified in the previous survey, where a direct comparison between the four largest Member States and the four cohesion countries - Greece, Spain, Ireland and Portugal - revealed that the relative importance of industrial support was rising in the larger Member States at the expense of the cohesion countries. The volume of aid in the four cohesion countries is increasing from 6,5 to 8,8% of total aid to the manufacturing sector in the EUR 12 whilst the share of the four big economies of this aid, having been at around 88% in the period 1992-1994, has decreased to around 83% in 1994-1996 (Germany accounts for 44%, Italy for 26%, France for 10% and the U.K. for 4% of the EUR 12 total). Nonetheless the apparent slightly more positive trend in the increased share of the cohesion countries is in fact largely accounted for by one ad hoc aid in Spain as well as by the fact that aid levels in one large Member State have considerably decreased.

Budgetary expenditure is the preferred form of awarding State aid to the manufacturing sector in all Member States. This is to be welcomed in the sense that financing through the budget is more transparent than the alternative of financing through the tax system.

As to the objectives pursued, a slight increase, although on low level, of the share of sectorial aid in overall manufacturing aid can be observed. This causes some concern as aid to single companies or whole branches of the manufacturing sector are amongst the most distortive for competition.

47. As was the case already with the previous survey, the most marked trend can be observed in the continuing high volume of aid granted on ad hoc basis to individual enterprises, falling outside schemes promoting horizontal, sectorial or regional objectives. In the sectors manufacturing, financial services and air transport taken together, a limited number of individual aids of important

volume are responsible for a disproportionate part of total aid granted. Ad hoc aid, which is granted mainly for rescue and restructuring of companies, increased in volume from 6% of overall aid to these sectors in 1992 to 16% in 1996. If aid granted to the new German Länder via the Treuhandanstalt is added - such aid can be considered close to ad hoc aid – the share in overall aid increased from 19 to 29 percent.

48. As regards overall national aid to the economy, the figures, in so far as they are available to the Commission, confirm the conclusion of the previous Surveys that the volume of aid in the Community remains at a very high level. It should not be forgotten in this overall context that Article 92(1) of the EC Treaty, the basis of the Commission's State aid policy, contains a general ban on aid and that State aid is only approved where one of the derogations set out in Article 92 applies. The Commission, of course, approves aid for many purposes where these are deemed to be in the common interest. Examples of such aid for which the Commission has clearly a favourable view include R&D, SME, training, environmental protection and regional aid. However it cannot be denied that the piling up of State aid interventions risks to jeopardise the efficient functioning of the Single market.

CONCLUSIONS

49. The previous surveys that the Commission published on the aid volumes awarded by the Member States of the European Union to their companies, showed a slight and continuing downward trend of the overall level of aid to the manufacturing sector. This tendency was interrupted in the period 1992-1994 when a stable tendency in the overall volume of aid prevailed. The data, upon which the Sixth Survey is based, now suggest a return to the downward trend observed in the past. Whilst it will only be possible to confirm this return to the long term downward trend in future, the decrease in aid to the manufacturing sector during the period 1994-1996 is welcome. However it is undeniable that with an annual average of some 38,3 billion ECUs representing 3,0 per cent of value added in the manufacturing sector or more than 1200 ECUs per person employed, state intervention remains at a very high level in this sector. This clearly cannot be in line with the global objectives of the European Union. The Cardiff European Council emphasized the need to promote competition and to reduce distortions such as state aid.

In the face of increasing globalisation and worrying reports that Europe is constantly falling behind its main trading partners in competitiveness Europe needs to realise the full potential of the Single market. The observed high levels of State aid put this at risk. Not only does the excessive aid distort free competition and free trade, but it also has the potential of delaying and even preventing industrial restructuring where it is urgently needed. Yet free competition, free trade and rapid industrial restructuring constitute precisely the instruments for the efficient allocation of resources within the European economy, which in turn is the very foundation of increased competitiveness and therefore job creation.

Added to these obstacles for the creation of an efficient European economy is the fact that the high public expenditure on State aid is financed through taxes. It is widely acknowledged that the high level of taxation in the Community risks to suffocate private entrepreneurship and therefore the

creation of new enterprises needed to provide new jobs for Europe's idle resources. Moreover, with most of European governments running not inconsiderable budgetary deficits, partially due to the financing of the high expenditure on State aid, they constantly need to resort to borrowing on the European capital markets, thereby crowding out potentially more productive private investment.

The observed reduction of the high levels of manufacturing aid during the period under review shows that control in this sector has become more effective. The continuing high level indicates, however, that the pressure must be maintained. This is all the more necessary since in the forthcoming Economic and Monetary Union the sensitivity of companies towards aid that benefits their competitors will be increased. With the adoption of the single currency, Member States can no longer resort to exchange rates as a shock-absorber; in this new environment it is to be expected that companies will increasingly turn to their governments to provide such shock-absorption by way of the tax system and direct subsidies. This poses an acute threat to the accomplishment of the Single market. Therefore the need for the Commission to control State aid strictly and for Member States to exercise rigorous self discipline remains.

50. The situation described above and the changing global context can only increase the Commission's action in State aid control. This is notably the case with the adoption of the new Guidelines for regional aid in December 1997 which meet the need for stricter control of State aid in the European Union and contribute to cohesion and a balanced regional development as a major Community objective. The new guidelines are aimed at reducing the areas eligible for national regional aid and at the same time lowering the whole range of allowed maximum aid intensities. Aid will thus be concentrated in those regions where its supportive effect is the highest and distortions of competition will simultaneously be reduced. It is expected that this will contribute to decrease the overall volume of regional aid.

Furthermore, the tendency of Member States, faced with budgetary restrictions, to concentrate the available resources for their regional aid schemes on a few large investments equally induced the Commission to introduce a possibility to better control such cases which are likely to cause the most important distortions of competition. The criteria that will be applied for the examination of those cases are to be found in the so-called "multi-sectorial" framework, which will be operational as from September 1998.

51. As a result of liberalisation in the context of the Single Market, technological change and globalisation, many sectors are facing increased competition both from within the EU and from outside. These sectors must adapt promptly to changing market conditions. Most companies are doing this without state intervention. Some companies that are unable to adapt will disappear. State support to keep an ailing company in business, even if it restores the company's viability, can impose a heavy cost in terms of forgone opportunities to use the resources in ways which contribute more to competitiveness and thus to economic growth and the creation of stable employment. State-aided restructuring, often the precursor to privatisation, follows different time cycles that depend on the sector and Member State concerned. Whilst data on ad hoc aid, which comprises all big restructuring cases, presented in this Survey suggest that aid for restructuring in the manufacturing sector has now passed its peak the future trend in this and other sectors will have to be followed closely. Even if part of this type of aid contributes to attenuate the social consequences of the accelerated adjustment process in certain sectors, it is equally indispensable that such aid be rigorously limited to the levels necessary for the restructuring and ensures the long term viability of the beneficiary companies in such a way that further aid would not be necessary. Only then can the employment maintained by these aids be considered as actually safe. If these conditions are not met, aid awarded for the rescue and restructuring of companies risks delaying and even preventing industrial restructuring and thus actually destroying work places in the long run. Therefore the Commission thinks that it is necessary to limit more strictly aid granted for the rescue and restructuring of companies in difficulty and to this

end is currently finalising its proposal for new, stricter guidelines on rescue and restructuring aid.

52. In the context of the Economic and Monetary Union, one of the key elements underpinning its successful operation is healthy public finances of the Member States participating in it. Budgetary discipline implies that Member States should keep every area of government expenditure, including State aid, under constant review. In view of this it is imperative that Member States, by their own initiative, evaluate both existing aid schemes and new proposals to verify that, firstly, government intervention is needed; secondly, that State aid is the most appropriate instrument for achieving the policy objective concerned; thirdly, that the aid is accurately targeted on the problem to be solved; and, fourthly, that the amount of the aid is no more than necessary to achieve the objective. In line with the above mentioned conclusions of the Cardiff European Council, the Commission intends to consult the Member States about the possibility of implementing a coordinated strategy for selective reductions in state aids.
53. A strengthened control policy also calls for further increases in transparency. The Commission continues to emphasise the importance of the standardised annual reporting system that allows the Commission to have a clearer picture, inter-alia, of the regional and sectorial impact of the different forms of government support to the manufacturing sector, notably in the case of aid with a horizontal objective. The Commission will therefore take the necessary steps to ensure full compliance with this reporting obligation.

TECHNICAL ANNEX

The purpose of this annex is to outline the methodologies and sources used in order to produce this Survey on State aid, notably with regard to:

- I. Scope of the study
Fields excluded
- II. Categories, forms and objectives of aid
- III. Type of data, sources and methods of assessing the aid element
- IV. Specific problems
 - Research and Development (R&D)
 - Transport in Luxembourg
 - Tourism; Agri-foodstuff
 - Training and unemployment

 - Accession of the three new Member States during the reporting period

I. Scope of the Study

Fields excluded

1. This Technical Annex explains the methodological background and the statistical techniques used. It updates the technical annex used for the preceding Survey.

The Survey focuses on State aid to enterprises falling within the scope of Articles 92 and 93 EC Treaty and Article 95 ECSC Treaty. Accordingly, general measures (which, if they distort competition, would be dealt with under Article 101 of the EC Treaty) are not included in the figures.

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

- 2.1. Aid whose recipients are not enterprises

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

- 2.2. General measures and other measures

- Differences between the various tax systems and general social security systems in Member States (depreciation, social security deficit, etc.)
- Quotas, public procurement, market restrictions, technical standards
- Specific tax schemes (co-operatives, owner enterprises, self-employed, etc.)¹⁵
- General reduction in VAT (for example, foodstuffs in the United Kingdom, certain products in the French overseas Departments)¹⁶

- 2.3. Aid granted by supranational and multinational organisations

- Community funds (ERDF, EAGGF, etc.)
- Financing by EIB and EBRD
- Support to the European Space Agency

¹⁵ However, a lower-than-the-standard rate of corporation tax for small businesses constitutes an aid and has been included (e.g. Germany).

¹⁶ Specific reductions such as the reduction of 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.

2.4. Individual types of aid

- Defence (see point 11.2 of this annex)
- Aid to energy, except coal (see points 10.2 and 11) and aid for energy saving and alternative (renewable) energy
- Aid to transport, except railways (see point 10.2), and the aviation sector covered under section 2.1.9.: Other Objectives.
- Training and unemployment measures (see point 14)
- Press and media
- Buildings and public works
- Public utilities such as gas, water, electricity, telecommunications (tariff structure and financing)

II. Categories, forms and objectives of aid

3. Categories of aid

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

4. Group A (A1+A2)

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

4.2. List of aid coming under categories A1 and A2

- Grants
- Interest subsidies received directly by the recipient
- General research and development schemes (see point 11)
- Tax credits and other tax measures, where the benefit is not dependent on having a tax liability (i.e. if the tax credit exceeds the tax due, the excess amount is repaid)

- Tax allowances, exemptions, and rate relieves where the benefit is dependent on having a tax liability
- Reduction in social security contributions
- Grant equivalents e.g. sale or rental of public land or property at prices below market value

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 participation, in their various forms, could have been included in the first category, they have been grouped together under a separate category (B1). The aid element contained in such equity participation is set out in category B1A.

5.2. List of aid coming under category B1

- Equity participation in whatever form (including debt conversion)

6. Group C (C1+C2)

6.1. The third category (C) covers transfers in which the aid element is the interest saved by the recipient during the period for which the capital transferred is at his disposal. The financial transfer takes the form of a soft loan (C1) or tax deferral (C2). The aid elements (C1A/C2A) in this category are much lower than the capital values of the aid.

6.2. List of aid coming under categories C1 or C2

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

7. Group D1

7.1. The last category (D1) covers guarantees, expressed in nominal amounts guaranteed. The aid elements (D1A) are normally much lower than the nominal amounts, since they correspond to the benefit which the recipient receives free of charge or at lower than market rate if a premium is paid to cover the risk. However, if losses are incurred under the guarantee scheme, the total loss, net of any premiums paid, is

included under D1A, since it can be considered as a definitive transfer to the recipient. The nominal amounts of these guarantees are shown under D1 to give an indication of the contingent liability.

7.2. List of aid coming under category D1

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

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

9. Objectives of aid

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

- | | | |
|----------|--------------------------------|-----------------------------------|
| 1.1. | <u>Agriculture</u> | |
| 1.2. | <u>Fisheries</u> | |
| 2. | <u>Manufacturing/Services</u> | |
| 2.1. | <u>(Horizontal objectives)</u> | |
| 2.1.1. | Research and Development | |
| 2.1.2. | Environment | |
| 2.1.3. | Small and Medium Enterprises | |
| 2.1.4. | Trade | |
| 2.1.5. | Energy saving | |
| 2.1.6. | General Investment | |
| 2.1.7. | Combat unemployment | } see point 14 of
} this annex |
| 2.1.8. | Training Aid | |
| 2.1.9. | Other objectives | |
| 2. | <u>Manufacturing/Services</u> | |
| 2.2. | <u>(Particular sectors)</u> | |
| 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. | <u>Regional aid</u> | |
| 3.1. | Regions under 92(3)a | |
| 3.2. | Other regions | |

The heading 3.: "Regional aid " contains for Germany three subheadings: aid to Art. 92(3)a regions which comprises the new Bundesländer, Art. 92(3)c regions and to the former Zonenrandgebiet and West-Berlin.

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

9.2. List of regions within the meaning of Article 92(3)(a)¹⁷

<u>Member State</u>	<u>Regions</u>
Greece) the
Ireland) whole of the
Portugal) country
Austria	Burgenland
Germany	Berlin (Eastern Part) Brandenburg Mecklenburg-Vorpommern Sachsen Sachsen-Anhalt Thüringen
Spain	Galicia Asturias Cantabria Castilla-Leon Castilla-La Mancha Extremadura Comunidad Valenciana Andalucia Murcia Ceuta y Melilla Canarias
France	Overseas departments
Italy	Campania Sud Sicilia Sardegna
United Kingdom	Northern Ireland

¹⁷ OJ EC no. C 212 of 12.08.1988, pages 2 to 10 and subsequent changes.

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

10. As a general rule, the figures have been expressed in terms of actual expenditure (or actual revenue losses in the case of tax expenditure).¹⁸ 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 were not available previous figures have, unless otherwise stated, been extrapolated.

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

The following statistical data used in the survey have been taken from the EUROSTAT database NEWCHRONOS. A minor number of unavailable data have been completed with statistics from the AMECO database managed by DG II of the Commission or with best estimates.

- gross domestic product (GDP) at market price
- gross value added at market price
- general government total expenditure
- statistics on civilian employment
- intra-EC exports of industrial products under No's 5 to 8 of the CTCL, rev. 3.

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

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.

As regards agriculture however, no data at all have been submitted by Spain, Finland, Ireland, Italy, Luxembourg, Sweden and Austria for the period under review. Moreover, figures were only available up to 1992 for Greece and France, up to 1993 for Portugal and up to 1995 for Denmark, Germany and the United Kingdom.

From the total amount of budgetary expenditure indicated in the inventory, the following have been excluded: research aid, land

¹⁸ It has to be stressed that the yearly expenditures (commitments) are not necessarily identical to the yearly budgetary appropriations for an aid scheme.

improvement (drainage), social security measures applicable to the entire sector, income tax concessions, regional selective financial assistance.

The figures contain the following: grants, tax relief, aid financed by parafiscal charges, interest subsidies and a number of benefits in kind provided by the State (for example, training courses).

In the fisheries sector, for 1995 and 1996 data were available for Germany, Spain, France, Ireland, Italy, Finland, Sweden and the United Kingdom.

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 No.s 528/76/ECSC, 2064/86/ECSC and 3632/93/ECSC and summarised in the Commission's Annual Communication to the Council on aids in this sector¹⁹. 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.

For transport (Railways) the figures are those submitted by the Member States in accordance with Council Regulation No 1107/70. In addition, but shown separately, are the aids given for railways within the framework of Council Regulation 1191/69 as amended by Regulation 1893/91 and Council Regulation 1192/69 for respectively the maintenance of public service obligations and, the normalisation of railways' accounts due to special burdens placed on railways.

With regard to other forms of transport except aviation, due to lack of information, the aid figures are incomplete and fragmentary and have not been included. In particular no figures have been given for aid to local transport.

10.3. Manufacturing

In the case of aid to the manufacturing sector, the figures have generally been taken from notifications under Article 93 and from information submitted within the context of the standardised annual reporting procedure set out in the Commission letter of 22.02.1994 to the Member States and up-dated by the Commission letter of

¹⁹ These figures are broken down into aid for current production and those not relating to current production (i.e. special social security measures for miners and aid to cover inherited liabilities). However since 1994 figures on the financing of social benefits are no longer included by the Commission in its annual communication on aid in this sector.

02.08.1995 to the Member States. Furthermore, data are checked against national publications on the award of aid, national accounts, draft budgets and other available sources.

10.4. Steel

The figures presented in the study have been compiled from the steel aid monitoring reports prepared by the Commission for the Council. The figures show the amount of aid granted 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 i.e. to only a part of the territory of the tax authority, are regarded as tax expenditures, whereas the rate structure is regarded as an integral part of the benchmark tax system.

However, in some cases, such departures from the benchmark system are on the borderline between aid within the meaning of Article 92(1) EC and general measures. Further work has to be carried out in order to elucidate this "grey area".

10.6. Methods of assessing the aid element

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

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 Commission guidelines on national regional aid schemes, OJ C 74 of 10.03.1998).

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.

Method applied to different forms of aid

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

10.6.4. Group B - equity (including debt conversion).
In line with established Commission policy, such interventions constitute aid when a private investor operating under normal market conditions would not have undertaken such an investment. See Commission communication "Application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector", OJ No C 307 of 13.11.1993, p3²⁰. This method is based on calculating the benefit of the intervention to the recipient.

Where a Commission decision does not establish the aid element and where data provided by a Member State does not indicate the aid element, 15% of the total participation is taken as the aid element. This proxy was only resorted to in a few cases and has no significant impact on the results.

10.6.5. Group C - soft loans and deferred tax provisions.
In accordance with the common method of evaluation, benefits accorded to an enterprise over a period of time in the form of soft loans and deferred tax provisions are discounted back to the present. The discount rate is the "reference rate" which represents the rate at which companies can borrow under normal market conditions. The definition of the reference rate in each Member State has been formally adopted by the Commission (see point 14 of the common method of evaluation). The aid element in a soft loan in any one-year is, therefore, the difference between the reference rate and the rate at which the State accords the loan multiplied by the value of the loan. The aid elements (C1A/C2A) in this category are much lower than the capital values of the aid. Starting in 1995, where a Member State fails to provide data on the aid elements, 15% of the total amount lent by the government is taken as the aid element, compared with the old practice of taking 33%. This downward adjustment is explained by the generally lower level of the aid element due to generally lower rates of interest in the Member States when compared with periods covered by previous surveys.

²⁰ See also "Application of Article 92 and 93 EEC to public authorities' holdings", Bulletin EC 9-1984, further "The Measurement of the Aid Element of State Acquisitions of Company Capital" - IV/45/87 Evolution of Concentration and Competition Series, Collection : Working Papers 87.

These proxies were only resorted to in a few cases and have no significant impact on the results

In the case of participatory loans 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.

In the case of reimbursable advances, where a Member State does not indicate the reimbursement ratio, the aid element is taken to be 90% as the re-payment ratio has shown to be very low on average. Where a Commission decision establishes the aid element, this is used.

10.6.6. Group D - amounts covered under guarantee schemes.

For ordinary guarantee schemes the aid element is calculated as the benefit of the scheme to the recipient. The aid element (D1A) is much lower than the capital value guaranteed. Where this information is not available, the losses to the Government are taken as an approximation of the aid element. Where Member State data only contain figures on the capital value guaranteed, but not the annual net results of the scheme, then, starting in 1995, the aid element is taken to be 10% of the capital value guaranteed²¹. This proxy was only resorted to in a few cases and has no significant impact on the results.

For loans awarded under exchange-rate guarantee schemes, the aid element is calculated as though the loan was a soft loan in the currency, which is guaranteed against exchange rate fluctuations. The aid element is the difference between the reference rate for the currency which is covered by the guarantee and the rate of interest at which the loan is given less any charge for the guarantee. This calculation is therefore based on calculating the benefit of the scheme to the recipient.

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

²¹ The percentage is based on a corresponding Member States' agreement in shipbuilding sector.

IV. Specific problems

11. Research and Development (R&D)

11.1. R&D schemes

Figures including extra-mural Government funding of R&D programmes for nationalised or private enterprises are classified under A1A²². 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 (e.g. R&D contracts). Because only direct funding of R&D has been included, it is considered that the figures for R&D have been underestimated (R&D contracts and Public Research (see 11.2 and 11.3 below) have been omitted because of the inability to quantify the aid element in such interventions).

11.2. R&D contracts

Figures for research and development contracts have not been included in the figures, since the aid element is, at present, often unquantifiable. Furthermore, the sources do not permit research and development contracts intended specifically for military purpose to be isolated nor the impact on the market of such contracts to be evaluated²³.

11.3. Public Research

No figures are given for any aid element contained in the intramural funding of government or public research establishments or research carried out by institutes of higher education. Public financing of R&D activities by public non-profit-making higher education or research establishments is normally not covered by article 92 (1) of the EC Treaty²⁴.

11.4. Nuclear energy

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

22 Accelerated depreciation for R&D equipment is not considered as an aid.

23 See point 2.5. of the Community framework for Research and Development Aid, OJ C 45 of 17.02.1996.

24 See point 2.4. of the Community framework for Research and Development Aid.

12. Transport in Luxembourg

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

13. Tourism and Agri-foodstuff industries

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

14. Training and unemployment

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

15. Accession of the three new Member States in the middle of the reporting period

For reasons stated above, when comparing the different Member States, the analysis of the aid figures concentrates on the annual averages over the three-year-period 1994-96. As the three new Member States only acceded in 1995, figures for these countries are only available for the years 1995 and 1996. Consequently, for these countries the annual average of 1995 and 1996 is presented as the annual average of the three-year-period 1994-96 in the tables.

STATISTICAL ANNEX

The methodology used for the tables contained is explained in the Technical Annex.

Table A1 State aid to the manufacturing sector. Annual amounts of aid 1992-1996 in current prices and national currencies.

Table A2 State aid to the manufacturing sector. Annual amounts of aid 1992-1996 in current prices and ECU.

Table A3 State aid to the new German Länder. Annual averages 1994-1996 in ECU.

Figure A1 State aid to the manufacturing sector and Community Social and Regional Funds. Annual averages 1994-1996 per employee in ECU.

Tables
A4/1-15 Total State aid - annual average 1994-1996 by Member State

Table A1

State aid to the manufacturing sector in current prices 1992-1996

	million national currency				
	1992	1993	1994	1995	1996
Austria	0,00	0,00	0,00	6.515,48	5.239,22
Belgium	25.176,37	33.401,28	43.252,04	39.572,04	50.178,02
Denmark	2.604,90	4.440,55	4.377,04	4.903,38	5.489,77
Germany	29.501,46	38.145,72	38.803,33	29.548,24	24.612,29
Greece	282.609,57	131.376,92	105.256,25	263.163,64	243.859,26
Spain	135.610,43	215.538,16	240.391,09	339.902,85	449.050,07
Finland	0,00	0,00	0,00	2.287,91	1.905,08
France	32.438,84	34.121,64	26.615,98	22.000,65	24.461,03
Ireland	157,32	169,30	145,89	159,90	221,15
Italy	19.061,76	22.316,42	19.139,58	23.135,24	20.109,41
Luxembourg	2.533,70	1.669,10	1.678,50	1.829,79	1.815,47
Netherlands	1.426,23	1.371,57	1.407,29	1.517,34	1.389,66
Portugal	57.029,17	74.759,41	115.855,07	54.728,23	49.716,05
Sweden	0,00	0,00	0,00	2.895,78	3.070,11
United Kingdom	1.461,89	895,77	1.029,07	1.233,70	1.516,38
EUR 15				38.591,06	36.705,27
EUR 12	37.595,51	42.736,85	40.542,15	37.385,71	35.627,84
<i>Old German länder</i>	9.820,84	7.040,21	6.071,91	5.827,60	5.975,71
<i>New German länder</i>	19.680,62	31.105,51	32.731,42	23.720,64	18.636,58

Table A2

State aid to the manufacturing sector in current prices (ECU) 1992-1996

	million ECU				
	1992	1993	1994	1995	1996
Austria	0,00	0,00	0,00	494,26	389,98
Belgium	605,30	825,31	1.090,67	1.026,46	1.276,84
Denmark	333,57	584,78	580,26	669,13	745,96
Germany	14.602,44	19.699,40	20.162,60	15.769,58	12.889,12
Greece	1.144,26	489,18	365,44	868,56	798,11
Spain	1.023,27	1.445,36	1.512,66	2.085,29	2.793,50
Finland	0,00	0,00	0,00	400,79	326,87
France	4.736,71	5.143,70	4.043,38	3.371,72	3.767,29
Ireland	206,80	211,64	183,83	196,07	278,72
Italy	11.947,05	12.120,39	9.994,24	10.860,90	10.265,35
Luxembourg	60,92	41,24	42,33	47,46	46,20
Netherlands	626,96	630,55	652,05	722,92	649,45
Portugal	326,41	396,88	588,41	279,08	253,96
Sweden	0,00	0,00	0,00	310,31	360,56
United Kingdom	1.981,82	1.148,44	1.326,28	1.488,55	1.863,33
EUR 15				38.591,06	36.705,27
EUR 12	37.595,51	42.736,85	40.542,15	37.385,71	35.627,84

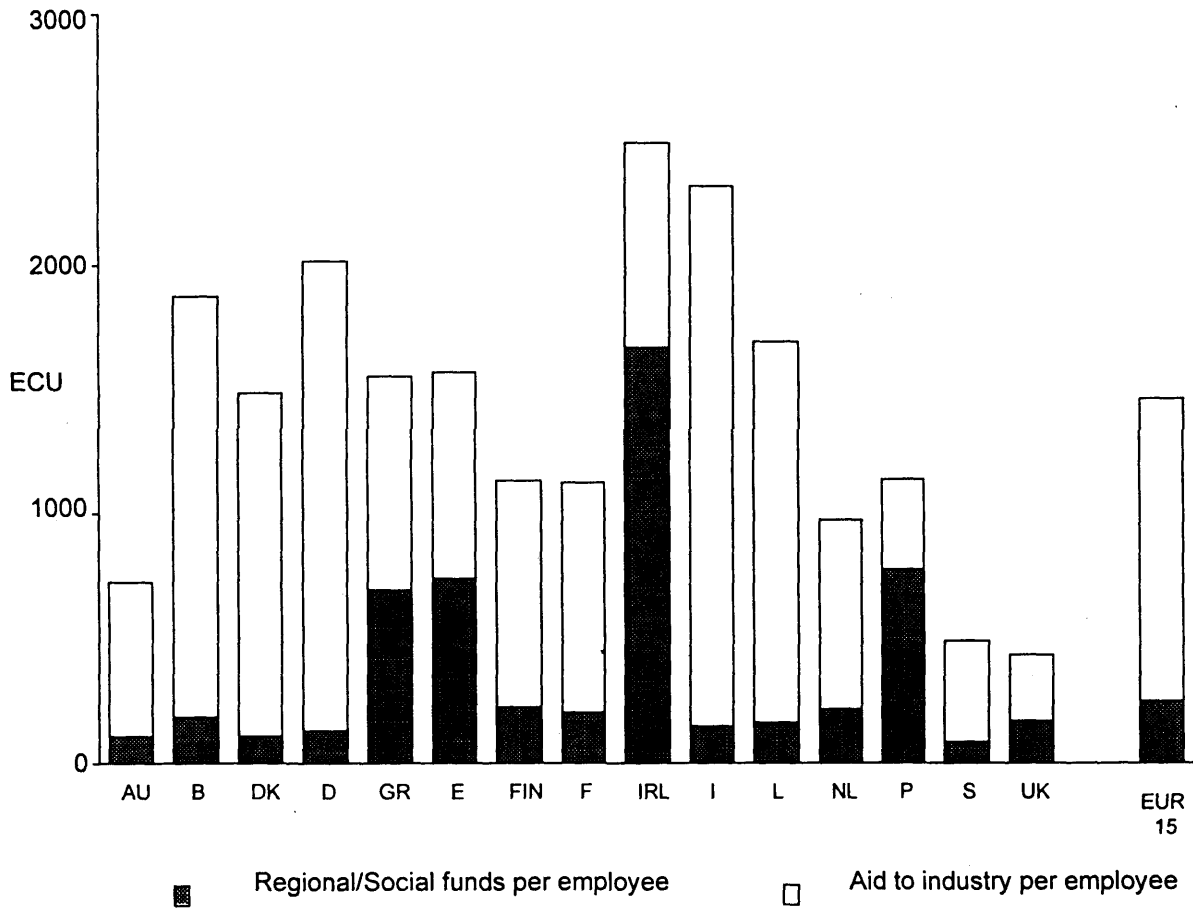
Table A3**German State aid to the new Länder - yearly average 1994-1996**

	million ECU	in per cent	in per cent of total aid
Grants	7.373,1	54,8	44,3
Tax exemptions	1.964,0	14,6	11,8
Equity participation	0,0	0,0	0,0
Soft loans	3.418,1	25,4	20,5
Tax deferrals	0,0	0,0	0,0
Guarantees	691,9	5,2	4,2
TOTAL	13.447,1	100,0	80,8

During the years of 1994 to 1996 aid totalling a yearly average of Ecu 13497 million including Treuhand was granted to the new Länder. This volume represents 81% of all German aid to the manufacturing sector. The increase of the overall volume of German aid resulting from granting aid to the new Länder has been partially compensated by a decrease of the aid to Berlin and to the Zonenrand.

Figure A1

Aid to the manufacturing sector and Community Funds per employee
Average 1994 - 1996



AUSTRIA

Table A4/1

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.1. Manufacturing/Services: Horizontal Objectives	261,5	0,0	0,0	40,2	0,0	28,4	330,1	29,9	330,1	73,6
2.1.1. Research and Development	66,7	0,0	0,0	17,8	0,0	1,8	86,2	7,8	86,2	19,2
2.1.2. Environment	67,8	0,0	0,0	3,5	0,0	0,2	71,4	6,5	71,4	15,9
2.1.3. SME	54,3	0,0	0,0	2,8	0,0	0,0	57,1	5,2	57,1	12,7
2.1.4. Trade	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.5. Energy saving	5,8	0,0	0,0	0,0	0,0	0,0	5,8	0,5	5,8	1,3
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	66,9	0,0	0,0	16,1	0,0	26,5	109,5	9,9	109,5	24,4
2.2. Manufacturing/Services: Partic. Sectors	704,0	0,0	0,0	9,6	0,0	0,1	713,7	64,6	57,9	12,9
2.2.1. Steel	6,8	0,0	0,0	0,0	0,0	0,0	6,8	0,6	6,8	1,5
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	655,8	0,0	0,0	0,0	0,0	0,0	655,8	59,4	-	-
of which Regulations 1191/69 and 1192/69	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	41,4	0,0	0,0	9,6	0,0	0,1	51,1	4,6	51,1	11,4
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	43,3	0,0	0,0	13,6	0,0	3,3	60,2	5,5	60,2	13,4
3.1. Regions under 92(3)c	37,8	0,0	0,0	8,1	0,0	0,0	45,9	4,2	45,9	10,2
3.2. Regions under 92(3)a	5,5	0,0	0,0	5,5	0,0	3,3	14,3	1,3	14,3	3,2
TOTAL	1.008,9	0,0	0,0	63,4	0,0	31,8	1104,1			
in %	91,4	0,0	0,0	5,7	0,0	2,9		100,0		
TOTAL MANUFACTURING	353,0	0,0	0,0	63,4	0,0	31,8			448,3	
in %	78,8	0,0	0,0	14,1	0,0	7,1				100,0

BELGIUM

Table A4/2

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture*	168,5	0,0	0,0	0,0	0,0	0,0	168,5		-	-
1.2. Fisheries	1,9	0,0	0,0	0,0	0,0	0,0	1,9	0,1	-	-
2.1. Manufacturing/Services: Horizontal Objectives	420,7	111,6	14,1	34,3	0,0	47,1	527,8	19,4	527,8	46,0
2.1.1. Research and Development	82,8	0,2	0,0	32,1	0,0	0,0	115,0	4,1	115,0	9,6
2.1.2. Environment	5,4	0,0	0,0	0,0	0,0	0,0	5,4	0,2	5,4	0,4
2.1.3. SME	230,3	1,4	0,0	0,6	0,0	6,3	238,5	8,8	238,5	20,8
2.1.4. Trade	2,0	0,0	0,0	1,3	0,0	40,8	44,2	1,6	44,2	3,7
2.1.5. Energy saving	0,2	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,2	0,0
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,0	110,0	14,1	0,4	0,0	0,0	124,5	4,6	124,5	10,8
2.2. Manufacturing/Services: Partic. Sectors	1.613,9	288,7	0,4	0,0	0,0	0,1	1903,2	70,0	333,2	29,0
2.2.1. Steel	3,4	0,0	0,0	0,0	0,0	0,0	3,4	0,1	3,4	0,3
2.2.2. Shipbuilding	28,0	0,0	0,0	0,0	0,0	0,0	28,0	1,0	28,0	2,3
2.2.3. Transport	1.569,9	0,0	0,2	0,0	0,0	0,0	1570,0	56,6	-	-
of which Regulations 1191/69 and 1192/69	590,0	0,0	0,0	0,0	0,0	0,0	590,0	21,3	-	-
of which Airline services	0,0	0,0	0,2	0,0	0,0	0,0	0,2	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	12,7	288,7	0,3	0,0	0,0	0,1	301,8	11,1	301,8	26,3
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	259,6	6,1	0,0	0,2	4,5	17,4	287,7	10,6	287,7	25,0
3.1. Regions under 92(3)c	259,6	6,1	0,0	0,2	4,5	17,4	287,7	10,6	287,7	25,0
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	2.196,1	406,4	14,5	34,5	4,5	64,6	2.720,6			
in %	80,7	14,9	0,5	1,3	0,2	2,4		100,0		
TOTAL MANUFACTURING	624,4	406,4	14,3	34,5	4,5	64,6			1.148,7	
in %	54,4	35,4	1,2	3,0	0,4	5,6				100,0

* State aid to agriculture is given for information only and is not included in any total.

DENMARK

Table A4/3

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture*	134,6	0,0	0,0	0,0	0,0	0,0	134,6		-	-
1.2. Fisheries	8,3	0,0	0,0	0,0	0,0	0,0	8,3	0,7	-	-
2.1. Manufacturing/Services: Horizontal Objectives	453,9	68,9	0,0	32,4	0,0	10,5	565,7	46,9	565,7	84,3
2.1.1. Research and Development	129,7	50,1	0,0	15,7	0,0	0,5	195,9	16,2	195,9	29,2
2.1.2. Environment	45,7	18,8	0,0	0,0	0,0	0,0	64,5	5,3	64,5	9,6
2.1.3. SME	21,7	0,0	0,0	1,0	0,0	10,0	32,8	2,7	32,8	4,9
2.1.4. Trade	34,0	0,0	0,0	13,1	0,0	0,0	47,2	3,9	47,2	7,0
2.1.5. Energy saving	222,7	0,0	0,0	2,6	0,0	0,0	225,3	18,7	225,3	33,6
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2. Manufacturing/Services: Partic. Sectors	621,0	0,0	0,0	0,0	0,0	0,0	621,0	51,5	93,9	14,0
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	65,4	0,0	0,0	0,0	0,0	0,0	65,4	5,4	65,4	9,7
2.2.3. Transport	527,2	0,0	0,0	0,0	0,0	0,0	527,2	43,7	-	-
of which Regulations 1191/69 and 1192/69	68,7	0,0	0,0	0,0	0,0	0,0	68,7	5,7	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	28,5	0,0	0,0	0,0	0,0	0,0	28,5	2,4	28,5	4,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	11,6	0,0	0,0	0,1	0,0	0,0	11,7	1,0	11,7	1,7
3.1. Regions under 92(3)c	11,6	0,0	0,0	0,1	0,0	0,0	11,7	1,0	11,7	1,7
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	1.094,8	68,9	0,0	32,6	0,0	10,5	1.206,7			
in %	90,7	5,7	0,0	2,7	0,0	0,9		100,0		
TOTAL MANUFACTURING	559,3	68,9	0,0	32,6	0,0	10,5			671,3	
in %	83,3	10,3	0,0	4,9	0,0	1,6				100,0

* State aid to agriculture is given for information only and is not included in any total.

GERMANY

Table A4/4

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture*	2.939,1	0,0	0,0	0,0	0,0	0,0	2.939,1	0,0	-	-
1.2. Fisheries	16,5	0,0	0,0	0,0	0,0	0,0	16,5	0,1	-	-
2.1. Manufacturing/Services: Horizontal Objectives	1.750,2	251,2	119,4	777,5	61,1	231,3	3190,7	9,7	3190,7	19,3
2.1.1. Research and Development	1.076,6	0,0	75,7	14,1	0,0	0,0	1166,3	3,6	1166,3	7,1
2.1.2. Environment	78,6	0,0	0,0	48,3	0,0	0,0	126,9	0,4	126,9	0,8
2.1.3. SME	325,7	247,4	0,0	184,1	61,1	79,6	897,9	2,7	897,9	5,4
2.1.4. Trade	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.5. Energy saving	241,3	3,8	0,0	25,5	0,0	0,0	270,6	0,8	270,6	1,6
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	28,0	0,0	43,8	505,5	0,0	151,7	729,0	2,2	729,0	4,4
2.2. Manufacturing/Services: Partic. Sectors	18.223,0	143,6	0,0	7,1	0,0	0,0	18.373,7	54,2	990,4	6,0
2.2.1. Steel	298,6	0,0	0,0	0,0	0,0	0,0	298,6	0,9	298,6	1,8
2.2.2. Shipbuilding	519,1	0,0	0,0	0,0	0,0	0,0	519,1	1,6	519,1	3,1
2.2.3. Transport	11.649,2	0,0	0,0	0,0	0,0	0,0	11.649,2	34,4	-	-
of which Regulations 1191/69 and 1192/69	3.048,9	0,0	0,0	0,0	0,0	0,0	3048,9	8,9	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	-	-
2.2.4.1. Coal: Aid to current production	5.599,8	0,0	0,0	0,0	0,0	0,0	5599,8	17,1	-	-
2.2.4.2. Coal: Other aids	134,2	0,0	0,0	0,0	0,0	0,0	134,2	0,4	-	-
2.2.5. Other sectors	22,1	143,6	0,0	7,1	0,0	0,0	172,7	0,5	172,7	1,0
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	6.502,9	2.127,2	0,0	2.919,3	161,4	611,1	12321,8	36,3	12321,8	74,7
3.1. Regions under 92(3)c	375,1	2,8	0,0	69,5	0,0	0,0	447,4	1,3	447,4	2,7
3.2. Regions under 92(3)a	6.126,0	1.964,0	0,0	2.849,9	0,0	611,1	11550,9	34,1	11550,9	70,0
3.3. Germany: (Berlin/Zonenrand)	1,8	160,4	0,0	0,0	161,4	0,0	323,5	1,0	323,5	2,0
TOTAL	26.492,7	2.521,9	119,4	3.703,9	222,5	842,4	33.902,8			
in %	78,1	7,4	0,4	10,9	0,7	2,5		100,0		
TOTAL MANUFACTURING	9.092,9	2.521,9	119,4	3.703,9	222,5	842,4			16503,0	
in %	55,1	15,3	0,7	22,4	1,3	5,1				100,0

* State aid to agriculture is given for information only and is not included in any total.

GREECE

Table A4/5

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	0,8	0,0	0,0	0,0	0,0	0,0	0,8	0,1	-	-
2.1. Manufacturing/Services: Horizontal Objectives	14,0	70,6	0,0	0,0	0,0	119,1	203,8	20,8	203,8	30,8
2.1.1. Research and Development	10,0	0,0	0,0	0,0	0,0	0,0	10,0	1,0	10,0	1,5
2.1.2. Environment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.3. SME	4,0	7,0	0,0	0,0	0,0	0,0	11,0	1,1	11,0	1,6
2.1.4. Trade	0,0	63,6	0,0	0,0	0,0	37,8	101,3	10,1	101,3	14,8
2.1.5. Energy saving	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,0	0,0	0,0	0,0	0,0	81,4	81,4	8,2	81,4	12,0
2.2. Manufacturing/Services: Partic. Sectors	279,8	12,5	44,1	0,0	0,0	0,0	336,4	34,4	20,7	3,1
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	271,7	0,0	44,1	0,0	0,0	0,0	315,8	31,5	-	-
of which Regulations 1191/69 and 1192/69	8,0	0,0	0,0	0,0	0,0	0,0	8,0	0,8	-	-
of which Airline services	0,0	0,0	44,1	0,0	0,0	0,0	44,1	4,4	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	8,2	12,5	0,0	0,0	0,0	0,0	20,7	2,1	20,7	3,1
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	415,7	0,0	0,0	21,8	0,0	0,0	437,5	44,8	437,5	66,1
3.1. Regions under 92(3)c	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3.2. Regions under 92(3)a	415,7	0,0	0,0	21,8	0,0	0,0	437,5	44,8	437,5	66,1
TOTAL	710,4	83,1	44,1	21,8	0,0	119,1	978,5			
in %	72,6	8,5	4,5	2,2	0,0	12,2		100,0		
TOTAL MANUFACTURING	437,9	83,1	0,0	21,8	0,0	119,1			661,9	
in %	66,2	12,6	0,0	3,3	0,0	18,0				100,0

SPAIN

Table A4/6

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	62,3	0,0	0,0	0,0	0,0	0,0	62,3	1,3	-	-
2.1. Manufacturing/Services: Horizontal Objectives	409,9	0,0	4,1	89,8	0,0	2,5	506,2	10,4	506,2	24,4
2.1.1. Research and Development	112,2	0,0	0,0	33,6	0,0	0,0	145,8	3,0	145,8	7,0
2.1.2. Environment	30,2	0,0	0,0	0,4	0,0	0,0	30,6	0,6	30,6	1,5
2.1.3. SME	155,8	0,0	3,1	46,8	0,0	2,1	207,8	4,3	207,8	10,0
2.1.4. Trade	3,7	0,0	0,0	4,4	0,0	0,3	8,4	0,2	8,4	0,4
2.1.5. Energy saving	29,6	0,0	0,0	0,0	0,0	0,0	29,6	0,6	29,6	1,4
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	78,4	0,0	1,0	4,6	0,0	0,0	84,0	1,7	84,0	4,1
2.2. Manufacturing/Services: Partic. Sectors	4.117,9	0,0	0,0	28,6	0,0	0,0	4.146,5	83,0	1285,3	62,0
2.2.1. Steel	663,6	0,0	0,0	0,0	0,0	0,0	663,6	13,7	663,6	32,0
2.2.2. Shipbuilding	389,3	0,0	0,0	0,0	0,0	0,0	389,3	7,7	389,3	18,8
2.2.3. Transport	1.857,2	0,0	0,0	0,0	0,0	0,0	1857,2	37,2	-	-
of which Regulations 1191/69 and 1192/69	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	767,6	0,0	0,0	0,0	0,0	0,0	767,6	15,4	-	-
2.2.4.2. Coal: Other aids	236,5	0,0	0,0	0,0	0,0	0,0	236,5	4,7	-	-
2.2.5. Other sectors	203,7	0,0	0,0	28,6	0,0	0,0	232,3	4,7	232,3	11,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	267,8	0,0	2,8	9,5	0,0	0,0	280,1	5,8	280,1	13,5
3.1. Regions under 92(3)c	190,6	0,0	0,0	0,0	0,0	0,0	190,6	3,9	190,6	9,2
3.2. Regions under 92(3)a	77,2	0,0	2,8	9,5	0,0	0,0	89,6	1,8	89,6	4,3
TOTAL	4.857,9	0,0	6,9	127,9	0,0	2,5	4.995,1			
in %	97,3	0,0	0,1	2,6	0,0	0,0		100,0		
TOTAL MANUFACTURING	1.934,4	0,0	6,9	127,9	0,0	2,5			2071,6	
in %	93,4	0,0	0,3	6,2	0,0	0,1				100,0

FINLAND

Table A4/7

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	3,5	0,0	0,0	0,0	0,0	0,0	3,5	0,8	-	-
2.1. Manufacturing/Services: Horizontal Objectives	214,1	0,0	0,0	54,6	0,0	2,8	271,5	65,2	271,5	74,4
2.1.1. Research and Development	122,5	0,0	0,0	5,6	0,0	0,0	128,2	30,8	128,2	35,1
2.1.2. Environment	8,9	0,0	0,0	0,0	0,0	0,0	8,9	2,1	8,9	2,4
2.1.3. SME	27,7	0,0	0,0	49,0	0,0	0,0	76,6	18,4	76,6	21,0
2.1.4. Trade	38,2	0,0	0,0	0,0	0,0	0,0	38,2	9,2	38,2	10,5
2.1.5. Energy saving	13,2	0,0	0,0	0,0	0,0	0,0	13,2	3,2	13,2	3,6
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	3,6	0,0	0,0	0,0	0,0	2,8	6,4	1,5	6,4	1,7
2.2. Manufacturing/Services: Partic. Sectors	52,8	2,8	0,0	0,0	0,0	0,0	55,6	13,4	8,0	2,2
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	47,6	0,0	0,0	0,0	0,0	0,0	47,6	11,4	-	-
of which Regulations 1191/69 and 1192/69	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	5,2	2,8	0,0	0,0	0,0	0,0	8,0	1,9	8,0	2,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	76,4	9,1	0,0	0,0	0,0	0,2	85,7	20,6	85,7	23,5
3.1. Regions under 92(3)c	76,4	9,1	0,0	0,0	0,0	0,2	85,7	20,6	85,7	23,5
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	346,7	11,8	0,0	54,7	0,0	3,0	416,2			
in %	83,3	2,8	0,0	13,1	0,0	0,7		100,0		
TOTAL MANUFACTURING	295,6	11,8	0,0	54,7	0,0	3,0			365,2	
in %	81,0	3,2	0,0	15,0	0,0	0,8				100,0

FRANCE

Table A4/8

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	32,3	0,0	0,0	0,0	0,0	0,0	32,3	0,2	-	-
2.1. Manufacturing/Services: Horizontal Objectives	773,2	487,1	160,9	100,1	22,1	364,3	1907,7	13,9	1907,7	51,2
2.1.1. Research and Development	504,6	469,8	0,0	62,9	0,0	0,0	1037,4	7,6	1037,4	27,8
2.1.2. Environment	38,2	0,0	0,0	0,0	0,0	0,0	38,2	0,3	38,2	1,0
2.1.3. SME	157,8	17,3	0,0	37,2	0,0	0,0	212,3	1,5	212,3	5,7
2.1.4. Trade	8,8	0,0	0,0	0,0	22,1	364,3	395,1	2,9	395,1	10,6
2.1.5. Energy saving	23,7	0,0	0,0	0,0	0,0	0,0	23,7	0,2	23,7	0,6
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	40,2	0,0	160,9	0,0	0,0	0,0	201,1	1,5	201,1	5,4
2.2. Manufacturing/Services: Partic. Sectors	7.160,1	20,0	2.312,3	13,0	28,2	0,0	9.533,6	74,8	551,0	14,8
2.2.1. Steel	2,6	0,0	0,0	0,0	0,0	0,0	2,6	0,0	2,6	0,1
2.2.2. Shipbuilding	24,4	0,0	0,0	0,0	0,0	0,0	24,4	0,2	24,4	0,7
2.2.3. Transport	5.912,4	0,0	1.043,2	0,0	0,0	0,0	6955,6	50,6	-	-
of which Regulations 1191/69 and 1192/69	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
of which Airline services	0,0	0,0	1.043,2	0,0	0,0	0,0	1043,2	7,6	-	-
2.2.4.1. Coal: Aid to current production	149,5	0,0	0,0	0,0	0,0	0,0	149,5	1,1	-	-
2.2.4.2. Coal: Other aids	608,4	0,0	0,0	0,0	0,0	0,0	608,4	4,4	-	-
2.2.5. Other sectors	462,7	20,0	0,0	13,0	28,2	0,0	524,0	3,8	524,0	14,1
2.2.6. Financial services	0,0	0,0	1.269,1	0,0	0,0	0,0	1.269,1	10,0	-	-
3. Regional Aids	353,5	913,6	0,0	1,1	0,0	0,5	1268,6	9,2	1268,6	34,0
3.1. Regions under 92(3)c	312,1	517,2	0,0	0,0	0,0	0,5	829,8	6,0	829,8	22,3
3.2. Regions under 92(3)a	41,4	396,4	0,0	1,1	0,0	0,0	438,8	3,2	438,8	11,8
TOTAL	8.319,1	1.420,7	2.473,2	114,2	50,3	364,8	12.742,3			
in %	65,3	11,1	19,4	0,9	0,4	2,9		100,0		
TOTAL MANUFACTURING	1.616,5	1.420,7	160,9	114,2	50,3	364,8			3727,4	
in %	43,4	38,1	4,3	3,1	1,3	9,8				100,0

IRELAND

Table A4/9

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	11,8	0,0	0,0	0,0	0,0	0,0	11,8	3,0	-	-
2.1. Manufacturing/Services: Horizontal Objectives	54,5	0,2	0,0	0,1	0,0	23,8	78,5	20,0	78,5	36,6
2.1.1. Research and Development	12,7	0,0	0,0	0,0	0,0	0,0	12,7	3,2	12,7	5,9
2.1.2. Environment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.3. SME	36,7	0,0	0,0	0,1	0,0	0,1	36,9	9,4	36,9	17,2
2.1.4. Trade	3,9	0,2	0,0	0,0	0,0	2,3	6,4	1,6	6,4	3,0
2.1.5. Energy saving	1,2	0,0	0,0	0,0	0,0	0,0	1,2	0,3	1,2	0,5
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,0	0,0	0,0	0,0	0,0	21,4	21,4	5,4	21,4	10,0
2.2. Manufacturing/Services: Partic. Sectors	141,7	0,0	41,0	0,5	0,0	0,0	183,2	46,5	16,0	7,5
2.2.1. Steel	15,5	0,0	0,0	0,0	0,0	0,0	15,5	3,9	15,5	7,2
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	126,2	0,0	41,0	0,0	0,0	0,0	167,2	42,5	-	-
of which Regulations 1191/69 and 1192/69	84,1	0,0	0,0	0,0	0,0	0,0	84,1	21,4	-	-
of which Airline services	0,9	0,0	41,0	0,0	0,0	0,0	41,8	10,6	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	0,0	0,0	0,0	0,5	0,0	0,0	0,5	0,1	0,5	0,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	120,1	0,0	0,0	0,0	0,0	0,0	120,1	30,5	120,1	56,0
3.1. Regions under 92(3)c	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3.2. Regions under 92(3)a	120,1	0,0	0,0	0,0	0,0	0,0	120,1	30,5	120,1	56,0
TOTAL	328,2	0,2	41,0	0,6	0,0	23,8	393,7			
in %	83,4	0,0	10,4	0,1	0,0	6,0		100,0		
TOTAL MANUFACTURING	190,1	0,2	0,0	0,6	0,0	23,8			214,7	
in %	88,6	0,1	0,0	0,3	0,0	11,1				100,0

ITALY

Table A4/10

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	88,9	0,0	0,0	0,0	0,0	0,0	88,9	0,5	-	-
2.1. Manufacturing/Services: Horizontal Objectives	1.914,3	5,2	839,1	289,5	0,0	1,7	3.049,8	18,2	3.049,8	31,2
2.1.1. Research and Development	232,21	0,0	0,0	38,6	0,0	0,0	270,9	1,6	270,9	2,8
2.1.2. Environment	19,8	0,0	0,0	0,0	0,0	0,0	19,8	0,1	19,8	0,2
2.1.3. SME	528,4	0,0	0,0	82,8	0,0	1,6	612,8	3,7	612,8	6,3
2.1.4. Trade	444,4	0,0	270,1	148,1	0,0	0,0	862,6	5,2	862,6	9,0
2.1.5. Energy saving	65,8	5,2	0,0	0,0	0,0	0,0	71,0	0,4	71,0	0,7
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	623,5	0,0	569,0	20,0	0,0	0,2	1.212,6	7,2	1.212,6	12,4
2.2. Manufacturing/Services: Partic. Sectors	7.908,5	13,7	7,3	32,4	0,0	0,0	7.961,9	47,5	1.062,7	10,9
2.2.1. Steel	544,5	0,0	0,5	0,0	0,0	0,0	545,0	3,3	545,0	5,6
2.2.2. Shipbuilding	204,8	0,0	0,0	0,0	0,0	0,0	204,8	1,2	204,8	2,1
2.2.3. Transport	6.899,1	0,0	0,0	0,0	0,0	0,0	6.899,1	41,2	-	-
of which Regulations 1191/69 and 1192/69	2.142,4	0,0	0,0	0,0	0,0	0,0	2.142,4	12,8	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	260,1	13,7	6,7	32,4	0,0	0,0	312,9	1,9	312,9	3,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	1.277,6	4.101,8	0,0	260,7	0,0	7,1	5.647,3	33,7	5.647,3	57,9
3.1. Regions under 92(3)c	60,3	53,0	0,0	0,0	0,0	1,5	114,8	0,7	114,8	1,2
3.2. Regions under 92(3)a	1.217,3	4.048,9	0,0	260,7	0,0	5,6	5.532,5	33,0	5.532,5	56,7
TOTAL	11.189,3	4.120,7	846,4	582,6	0,0	9,3	17.690,9			
in %	66,8	24,6	5,1	3,5	0,0	0,1		100,0		
TOTAL MANUFACTURING	4.201,3	4.120,7	846,4	582,6	0,0	8,9			9;759,9	
in %	43,0	42,2	8,7	6,0	0,0	0,1				100,0

LUXEMBOURG

Table A4/11

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.1. Manufacturing/Services: Horizontal Objectives	13,5	0,0	0,0	1,7	0,0	0,0	15,2	11,6	15,2	33,1
2.1.1. Research and Development	2,8	0,0	0,0	0,2	0,0	0,0	3,0	2,3	3,0	6,5
2.1.2. Environment	2,3	0,0	0,0	0,0	0,0	0,0	2,3	1,8	2,3	5,1
2.1.3. SME	8,2	0,0	0,0	1,4	0,0	0,0	9,5	7,3	9,5	20,7
2.1.4. Trade	0,3	0,0	0,0	0,0	0,0	0,0	0,3	0,3	0,3	0,7
2.1.5. Energy saving	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2. Manufacturing/Services: Partic. Sectors	86,1	0,0	0,0	0,0	0,0	0,0	86,1	65,6	0,7	1,6
2.2.1. Steel	0,7	0,0	0,0	0,0	0,0	0,0	0,7	0,5	0,7	1,4
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	85,4	0,0	0,0	0,0	0,0	0,0	85,4	65,0	-	-
of which Regulations 1191/69 and 1192/69	84,5	0,0	0,0	0,0	0,0	0,0	84,5	64,3	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	0,1	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	28,2	1,8	0,0	0,0	0,0	0,0	30,0	22,9	30,0	65,3
3.1. Regions under 92(3)c	28,2	1,8	0,0	0,0	0,0	0,0	30,0	22,9	30,0	65,3
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	127,9	1,8	0,0	1,7	0,0	0,0	131,4			
in %	97,4	1,4	0,0	1,3	0,0	0,0		100,0		
TOTAL MANUFACTURING	42,5	1,8	0,0	1,7	0,0	0,0			46,0	
in %	92,5	3,9	0,0	3,6	0,0	0,0				100,0

NETHERLANDS

Table A4/12

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture*	344,4	0,0	0,0	0,0	0,0	0,0	344,4	0,0	-	-
1.2. Fisheries	39,9	0,0	0,0	0,0	0,0	0,0	39,9	2,0	-	-
2.1. Manufacturing/Services: Horizontal Objectives	322,6	88,2	0,0	21,8	12,1	60,5	505,3	24,8	505,3	76,8
2.1.1. Research and Development	131,2	0,0	0,0	3,6	0,0	0,0	134,9	6,6	134,9	20,5
2.1.2. Environment	17,4	35,8	0,0	0,0	12,1	0,0	65,3	3,2	65,3	9,9
2.1.3. SME	14,7	0,0	0,0	0,0	0,0	39,6	54,3	2,7	54,3	8,2
2.1.4. Trade	0,0	0,0	0,0	18,2	0,0	0,0	18,2	0,9	18,2	2,8
2.1.5. Energy saving	141,4	52,5	0,0	0,0	0,0	14,2	211,1	10,4	211,1	32,1
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	17,9	0,0	0,0	0,0	0,0	3,7	21,6	1,1	21,6	3,3
2.2. Manufacturing/Services: Partic. Sectors	1.375,9	0,0	0,0	0,0	0,0	0,0	1375,9	67,6	39,6	6,0
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	17,2	0,0	0,0	0,0	0,0	0,0	17,2	0,8	17,2	2,6
2.2.3. Transport	1.336,3	0,0	0,0	0,0	0,0	0,0	1336,3	65,7	-	-
of which Regulations 1191/69 and 1192/69	137,2	0,0	0,0	0,0	0,0	0,0	137,2	6,7	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	22,4	0,0	0,0	0,0	0,0	0,0	22,4	1,1	22,4	3,4
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	113,4	0,0	0,0	0,0	0,0	0,0	113,4	5,6	113,4	17,2
3.1. Regions under 92(3)c	113,4	0,0	0,0	0,0	0,0	0,0	113,4	5,6	113,4	17,2
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	1.851,7	88,2	0,0	21,8	12,1	60,5	2034,4			
in %	91,0	4,3	0,0	1,1	0,6	3,0		100,0		
TOTAL MANUFACTURING	475,6	88,2	0,0	21,8	12,1	60,5			658,2	
in %	72,2	13,4	0,0	3,3	1,8	9,2				100,0

* State aid to agriculture is given for information only and is not included in any total.

PORTUGAL

Table A4/13
Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	3,8	0,0	0,0	0,0	0,0	0,0	3,8	0,5	-	-
2.1. Manufacturing/Services: Horizontal Objectives	90,1	0,0	0,5	0,1	0,0	0,0	90,7	12,8	90,7	24,5
2.1.1. Research and Development	12,7	0,0	0,5	0,0	0,0	0,0	13,2	1,9	13,2	3,6
2.1.2. Environment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.3. SME	0,3	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,3	0,1
2.1.4. Trade	0,5	0,0	0,0	0,1	0,0	0,0	0,6	0,1	0,6	0,2
2.1.5. Energy saving	7,3	0,0	0,0	0,0	0,0	0,0	7,3	1,0	7,3	2,0
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	69,2	2,0	0,0	0,0	0,0	0,0	71,2	10,1	69,2	18,7
2.2. Manufacturing/Services: Partic. Sectors	273,2	2,2	239,8	5,9	0,0	0,0	521,1	73,6	187,3	50,6
2.2.1. Steel	111,0	0,0	0,0	0,0	0,0	0,0	111,0	15,7	111,0	30,0
2.2.2. Shipbuilding	3,6	0,0	0,0	0,0	0,0	0,0	3,6	0,5	3,6	1,0
2.2.3. Transport	89,4	0,0	239,8	0,0	0,0	0,0	329,8	46,5	-	-
of which Regulations 1191/69 and 1192/69	70,7	0,0	0,0	0,0	0,0	0,0	70,7	10,0	-	-
of which Airline services	0,0	0,0	239,8	0,0	0,0	0,0	239,8	33,9	-	-
2.2.4.1. Coal: Aid to current production	0,6	0,0	0,0	0,0	0,0	0,0	0,6	0,1	-	-
2.2.4.2. Coal: Other aids	1,9	0,0	0,0	0,0	0,0	0,0	1,9	0,3	-	-
2.2.5. Other sectors	66,7	0,2	0,0	5,9	0,0	0,0	72,8	10,3	72,8	19,6
2.2.6. Financial services	0,0	2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	30,9	30,3	0,0	0,5	0,0	30,7	92,4	13,0	92,4	24,9
3.1. Regions under 92(3)c	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3.2. Regions under 92(3)a	30,9	30,3	0,0	0,5	0,0	30,7	92,4	13,0	92,4	24,9
TOTAL	398,0	32,5	240,3	6,5	0,0	30,7	708,0			
in %	56,2	4,6	33,9	0,9	0,0	4,3		100,0		
TOTAL MANUFACTURING	302,2	30,4	0,5	6,5	0,0	30,7			370,3	
in %	81,6	8,2	0,1	1,8	0,0	8,3				100,0

SWEDEN

Table A4/14

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.	0,0	-	-
1.2. Fisheries	7,7	0,0	0,0	0,0	0,0	0,0	7,7	0,5	-	-
2.1. Manufacturing/Services: Horizontal Objectives	49,2	5,7	5,4	46,3	0,0	1,6	108,2	7,7	108,2	34,0
2.1.1. Research and Development	3,1	0,0	5,4	24,8	0,0	0,7	34,1	2,4	34,1	10,7
2.1.2. Environment	9,0	5,7	0,0	0,0	0,0	0,0	14,7	1,0	14,7	4,6
2.1.3. SME	35,1	0,0	0,0	13,8	0,0	0,8	49,7	3,5	49,7	15,6
2.1.4. Trade	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.5. Energy saving	1,7	0,0	0,0	7,7	0,0	0,0	9,4	0,7	9,4	3,0
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	0,3	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,3	0,1
2.2. Manufacturing/Services: Partic. Sectors	1.093,1	0,0	0,0	0,0	0,0	0,0	1093,1	77,8	14,3	4,5
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.3. Transport	1.078,8	0,0	0,0	0,0	0,0	0,0	1078,8	76,8	-	-
of which Regulations 1191/69 and 1192/69	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.2. Coal: Other aids	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.5. Other sectors	14,3	0,0	0,0	0,0	0,0	0,0	14,3	1,0	14,3	4,5
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	130,4	53,8	0,0	11,3	0,0	0,0	195,6	13,9	195,6	61,5
3.1. Regions under 92(3)c	130,4	53,8	0,0	11,3	0,0	0,0	195,6	13,9	195,6	61,5
3.2. Regions under 92(3)a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	1.280,3	59,5	5,4	57,7	0,0	1,6	1404,5			
in %	91,2	4,2	0,4	4,1	0,0	0,1		100,0		
TOTAL MANUFACTURING	193,8	59,5	5,4	57,7	0,0	1,6			318,0	
in %	61,0	18,7	1,7	18,1	0,0	0,5				100,0

UNITED KINGDOM

Table A4/15

Total state aid – annual average 1994-1996

In Million ECU

SECTOR/FUNCTION	FORMS OF AID						TOTAL AID		Manufacturing	
	A1A	A2A	B1A	C1A	C2A	D1A	TOTAL	in %	TOTAL	in %
1.1. Agriculture*	367,3	0,0	0,0	0,0	0,0	0,0	367,3	0,0	-	-
1.2. Fisheries	23,3	0,0	0,0	0,0	0,0	0,0	23,3	0,5	-	-
2.1. Manufacturing/Services: Horizontal Objectives	303,4	0,0	0,0	0,0	0,0	31,9	335,3	7,7	335,3	22,2
2.1.1. Research and Development	176,1	0,0	0,0	0,0	0,0	0,0	176,1	4,1	176,1	11,6
2.1.2. Environment	0,9	0,0	0,0	0,0	0,0	0,0	0,9	0,0	0,9	0,1
2.1.3. SME	41,8	0,0	0,0	0,0	0,0	30,9	72,8	1,9	72,8	4,8
2.1.4. Trade	71,3	0,0	0,0	0,0	0,0	1,0	72,3	1,7	72,3	4,8
2.1.5. Energy saving	1,8	0,0	0,0	0,0	0,0	0,0	1,8	0,0	1,8	0,1
2.1.6. General Investment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.7. Combat unemployment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.8. Training aid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.1.9. Other Objectives	11,5	0,0	0,0	0,0	0,0	0,0	11,5	0,3	11,5	0,8
2.2. Manufacturing/Services: Partic. Sectors	3.069,4	0,0	0,0	6,5	0,0	0,0	3076,0	71,1	283,9	18,8
2.2.1. Steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.2.2. Shipbuilding	8,6	0,0	0,0	0,0	0,0	0,0	8,6	0,2	8,6	0,6
2.2.3. Transport	1.809,5	0,0	0,0	0,0	0,0	0,0	1809,5	41,8	-	-
of which Regulations 1191/69 and 1192/69	1.797,1	0,0	0,0	0,0	0,0	0,0	1797,1	41,5	-	-
of which Airline services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
2.2.4.1. Coal: Aid to current production	6,4	0,0	0,0	0,0	0,0	0,0	6,4	0,1	-	-
2.2.4.2. Coal: Other aids	976,1	0,0	0,0	0,0	0,0	0,0	976,1	22,6	-	-
2.2.5. Other sectors	268,8	0,0	0,0	6,5	0,0	0,0	275,3	6,4	275,3	18,2
2.2.6. Financial services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3. Regional Aids	750,5	74,6	4,2	23,6	8,9	31,4	893,3	20,6	893,3	59,1
3.1. Regions under 92(3)c	468,4	7,9	0,0	23,6	8,9	31,4	540,2	12,5	540,2	35,7
3.2. Regions under 92(3)a	282,1	66,8	4,2	0,1	0,0	0,0	353,2	8,2	353,2	23,3
TOTAL	4.146,6	74,6	4,2	30,2	8,9	63,3	4327,9			
in %	95,8	1,7	0,1	0,7	0,2	1,5		100,0		
TOTAL MANUFACTURING	1.331,3	74,6	4,2	30,2	8,9	63,3			1512,6	
in %	88,0	4,9	0,3	2,0	0,6	4,2				100,0

* State aid to agriculture is given for information only and is not included in any total.

COMMUNITY FUNDS AND INSTRUMENTS

I. Community Funds, Instruments and Programmes

Below a brief description of the main Community funds, instruments and programmes is given. It should be noted that the Cohesion Financial Instrument and Cohesion Fund were established in April 1993 and May 1994 respectively. Moreover in July 1993, the second reform of the Structural Funds (EAGGF-Guidance, ERDF, Social Fund, FIFG) took place thereby confirming the basic principles which inspired the first reform in 1988 and bringing in a number of operational improvements. A further innovation was that, in accordance with the conclusions of the Edinburgh European Council, the resources of the Structural Funds allocated to four Member States eligible for assistance from the Cohesion Fund (Greece, Spain, Ireland and Portugal) would double in real terms between 1992 and 1999 and that total funding for the Structural Funds over the period 1994-99 would amount to ECU 141 471 million (at 1992 prices). A new instrument was also introduced with the entry into operation in 1994 of the FIFG to provide support for the restructuring of the fisheries sector.

The 4th FPRD (4th Framework Programme for Research and Technological Development) was adopted in April '94 for the period 1994-1998. This new Framework Programme includes all the Community research and development activities. Its budget is ECU 13,1 billion. Its overall structure has been streamlined to respond to three major challenges:

- developing scientific and technological excellence in Europe, to meet the needs of the manufacturing sector and improve the quality of life in the Member States.
- furthering cooperation and improving the co-ordination and exploitation of the Community research efforts.
- promoting research activities deemed necessary to other Community policies.

EAGGF-Guarantees

The Common Agricultural Policy is a general system of market support based on external protection and internal intervention. As such, it is comparable to import quotas and customs tariffs, systems, which bring about a transfer of resources between sectors, without the recourse to direct aid. Much of EAGGF Guarantee expenditure is concerned with a system of support of this type and therefore cannot be regarded as comparable to expenditure on aid. Moreover, the breakdown by Member State has little meaning in this case because the ultimate beneficiary may not be in the Member State where the expenditure took place. Around 35% of expenditure are in the form of price compensation aid granted to producers or processors.

EAGGF-Guidance

The EAGGF-Guidance intervenes by co-financing structural measures in the framework of programmes, which have been established with the Member States and Regional authorities for:

- the strengthening and reorganisation of agricultural and forestry structures, including those for the processing and marketing of products;
- compensation for the effects of natural handicaps on agriculture;
- the re-conversion of agricultural production and the development of additional activities for farmers;
- the development of the social fabric of rural areas and the conservation of natural resources.

The actions co-financed in areas covered by objectives 1 and 5b relate in particular to:

- the conversion, diversification, reorientation and adjustment of the agricultural production potential;
- the promotion, labelling and investment of quality products for local or regional agricultural and forestry;
- the development of structures and rural infrastructures;
- measures to achieve diversification, especially those providing for farmers to develop multiple activities;
- the renovation and development of villages and the protection and conservation of the rural heritage;
- encouragement for tourist and craft investment;
- the introduction of appropriate preventive instruments in the case of natural catastrophes (in particular in objective 1 regions) restoring agricultural and forestry production potential damaged by natural disasters;
- the irrigation, protection of the environment, and restoration of landscapes;
- exploiting the full value of forests;
- development of agricultural and forestry advisory services and vocational training.

FIFG

Structural assistance for the fishing industry was first granted as far back as 1971, the year in which it was agreed to use funds from the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) to encourage the construction and modernisation of inshore and pelagic fishing vessels together with the processing and marketing of fish. In 1978 the original rules were replaced by a series of annual interim measures widened in scope to encompass the restructuring of the inshore fleet and the development of aquaculture.

In 1983 a system of multi-annual programmes was put into effect, based around schemes under which aid could be granted for restructuring the manufacturing sector and conversion of fishing activities. In 1986 the need to reinforce this approach resulted in the whole range of structural measures for the fleet and aquaculture being grouped together in a single regulatory framework.

Schemes designed to assist the processing and marketing of fishery products developed from a different source, which was shared with the structural policy for processing and marketing of agricultural products. For a long time, one and the same Regulation covered the processing and marketing of both types of products. However, in order to ensure that better account was taken of the specific requirements of the fisheries sector, the two were split in 1989; assistance for the processing and marketing of fishery products has since had its own rules, integrated from that date into the Community's Structural Funds arrangements.

In 1993 the structural elements of the Common Fisheries Policy (CFP) were overhauled and three major changes were introduced. These ensured greater coherence between different aspects of the policy, removed the partition which had divided the CFP from other Community activities and, took account of the changes affecting the sector. The CFP's structural measures were integrated into the Community's system of structural funds when these were reformed in 1993. Moreover the different fishery finances available for such activity were regrouped in one fund known as the Financial Instrument for Fisheries Guidance (FIFG).

Social Fund

The objectives of the Social Fund are to improve employment opportunities for young people (under the age of 25) and for other groups deemed to be in need of support (long-term unemployed, the handicapped, migrant workers and other socially disadvantaged groups). The Fund therefore contributes to the financing of operations carried out by the public or private operators in the following areas:

- the prevention of long term unemployment;
- vocational training;
- technical advice concerned with job creation;
- facilitate the adaptation of workers to industrial changes and changes in production system.

All applications for assistance are submitted through the Member States. Money from the Social Fund is paid out on a horizontal and not on a sectorial basis, so an extrapolation corresponding to the concept of aid within the meaning of Article 92 of the Treaty is not possible.

Regional Fund

The European Regional Development Fund (ERDF) aims to reduce disparities within the Community by providing financial support to:

- regions whose development is lagging behind (Objective 1);
- regions in industrial decline (Objective 2);
- rural problem areas (Objective 5b);
- the development of regions with an extremely low population density (Objective 6).

This support is focused mainly on infrastructure, human resources and productive investment.

As ERDF aid is generally paid out on a horizontal and not on a sectorial basis, identification of expenditure which corresponds to the concept of State aid within the meaning of Article 92 of the Treaty is not always possible. As an alternative, figures relating to the manufacturing sector and services and, economic development have been retained; the data obtained by using this approach therefore only provide an idea of the scale of ERDF aid involved.

Cohesion Financial Instrument - Cohesion Fund

After the principle of the Cohesion Fund had been incorporated into the Maastricht Treaty, the Edinburgh European Council further decided to establish a provisional instrument to provide Community financial support to the beneficiary Member States from 1993 while awaiting the entry into force of the Treaty which in turn permitted establishment of the Cohesion Fund.

The Commission adopted the proposal for a Regulation establishing the cohesion financial instrument based on Article 235 of the Treaty which was subsequently adopted by Council on 30/IV/93 and extended until the end of 1994.

The Cohesion Fund was established by Article 130d of the EC Treaty, as amended by the Treaty of Maastricht and represented a further stage in the policy of solidarity initiated mainly through the Structural Funds. This Fund makes its own specific and complementary contribution since it is grounded principally in the requirements stemming from the prospect of economic and monetary union (which is already starting to become a reality). From the outset the Fund has created its own identity on the basis of three major principles.

The first is its limited field of implementation: the protocol on economic and social cohesion states that the Cohesion Fund "will provide Community financial contributions to Member States with a per capita GNP of less than 90% of the Community average."

Secondly, assistance is restricted to the part financing of projects in the fields of the environment and Trans-European transport networks.

Thirdly, as a result of its links with the implementation of economic and monetary union, the Fund assists Member States which have drawn up a programme complying with the conditions on excessive public deficits as laid down in Article 104c.

In addition the Cohesion financial instrument and later (from May 1994) Cohesion Fund, contributed towards the objective of cohesion. However given that most of the credits available were devoted to infrastructure projects and not productive investment, the figures are only presented for information below in Table B.

Community Research and Technological Development (RTD)

Community research activities are conducted essentially at two levels:

- (I) by shared cost actions with third parties which include RTD projects, thematic networks, and concerted actions (Indirect actions).
- (II) at the Joint Research Centre (Direct actions).

DG XII (Science, Research and Development) administers the indirect actions of the Framework Programme together with DG III (Industry), DG VI (Agriculture), DG VII (Transport), DG XIII (Telecommunications, Information Market and Exploitation of research), DG XIV (Fishery) and DG XVII (Energy). According to the 4th Community Framework on RT&D the amount of ECU 13,1 billion from the EU budget will be spent on support for research during the period 1994-1998. The main participants in the RTD activities are from universities, research centres and the manufacturing sector (including SMEs). A little bit more than ECU 950 million is allocated to support the European Joint Research Centre.

ECSC financial operations

Financial assistance is provided by the ECSC in the form of loans and grants. The loans fall into three main categories:

- industrial loans;
- conversion loans;
- loans for workers' housing

The fact that the financial institutions, which distribute the loans, are non-profit making could be advantageous to the recipient of the loan but this advantage is not considered as aid for the purposes of the Treaties. The situation with regard to grants is different. Whilst interest subsidies (on loans) would normally be considered as constituting aid, other measures, notably payments of a social nature to former steel and coal sector workers, are less likely to be considered as such.

European Investment Bank

The mission of the Bank is to further the objectives of the European Union by making long-term finance available for sound investment. Created by the Treaty of Rome, shareholders are the Member States and the Board of Governors is composed of the Finance Ministers of these States. To receive support, projects and programmes must be viable in four fundamental areas: economic, technical, environmental and financial. Through the Bank's own lending operations and ability to attract other financing, the range of funding possibilities is widened. Through the borrowing activities, the Bank contributes to the development of capital markets throughout the Union. The Bank's policies are established in close cooperation with the Member States and the other Institutions of the European Union. There is also close cooperation with the business and banking sectors and the main international organisations in the field.

European Investment Fund

The European Investment Fund is a new financial agency set up to provide guarantees to support medium and long-term investment in two crucial areas for the development of the European economy; Trans-European Networks (TEN) and Small and Medium-Sized Enterprises. Established in June 1994, the Fund is a new and unique partnership in which the European Investment Bank and the European Union, through the Commission, cooperate with the banks and financial institutions of the Member States. By Commission Directive dated 15 March 1994, it was granted Multilateral Development Bank status.

The fundamental objective of the Fund is to draw more private capital into infrastructure finance and to improve the flow of financial resources to the small and medium business sector. It will do this by developing mechanisms to transfer and share financial risk and will concentrate on the provision of financial guarantees on medium and long-term lending by banks and other financial institutions.

In addition to senior long-term debt for TEN projects it will be able to cover private placements, bond issues, revenue or asset backed securities and subordinated debt. For SME finance it can cover portfolios of loans, credit lines and securitized assets.

The EIF can also take equity participations in venture capital funds.

In fulfilling its mission the EIF acts, on a commercial basis, as a complement to the banking sector and in co-ordination with other EU financial institutions and instruments.

II. Statistical Data

1. Table A sets out in global terms the financial intervention of the Community for the years 1992 to 1996.
2. Table B shows other Community instruments granted for the years 1992 to 1996.

3. Tables C1 and C2 indicate, for the periods 1992-1994 and 1994-1996 respectively, the average annual volume of Community intervention broken down by Member State wherever possible.
4. It should be noted that a direct comparison between the volume of Community intervention shown here and the national State aid described earlier in this Survey, (i.e. aid financed by national budgets and tax systems) is misleading since in many cases it is difficult, if not impossible, to determine the aid element contained in the Community interventions, which is not paid directly to firms like State aid.

In the agricultural sector, making comparisons could result in erroneous conclusions being drawn owing to the fact that those who benefit from Community intervention are for the most part not firms. As regards comparison between the different Member States, the benefits of Community intervention are felt by all operators in the Union irrespective of where the expenditure (i.e. export refunds or intervention buying) took place. As to comparison between Community and national expenditure, expenditure by the Union is strongly influenced by the differences between fluctuating world prices and Community prices for agricultural products, which is not the case with most national expenditure.

5. Further details of Community Funds are given in the Technical Annex.
6. Further detailed information on Community funds and instruments can be found in the following documents:
 - Research and Technological Development Activities of the EU

annual report 1995	ISBN 92-77-93761-0
annual report 1996	ISBN 92-78-08603-7
 - The Structural Funds

annual report 1995	ISBN 92-78-10829-4
annual report 1996	ISBN 92-78-26044-4
 - Cohesion Financial Instrument Cohesion Fund

combined report 1993-1994	ISBN 92-827-5739-0
annual report 1995	ISBN 92-827-9688-4
annual report 1996	ISBN 92-827-8877-6
 - ECSC Financial Report 1995 ISBN 92-827-7933-5
 ECSC Financial Report 1996 ISBN 92-828-0908-0
 - European Investment Bank

annual report 1995	ISBN 92-827-6303-X
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Table A
Annual Community Expenditure

Million ECU

	1992	1993	1994	1995	1996
EAGGF Guarantee-Agriculture	32005,3	34496,3	32831,4	34377,5	39041,3
EAGGF Guidance-Agriculture	2874,8	3092,4	3335,4	3609,0	3934,5
EAGGF Guarantee-Fisheries	32,1	32,4	35,5	36,9	34,1
EAGGF Guidance-Fisheries/EFFG- FIFG (from 1994)	358,4	401,8	391,1	450,3	334,4
SOCIAL FUND	5894,2	6306,8	5826,8	4382,9	7145,8
REGIONAL FUND (1)	1374,0	1635,0	1803,0	1970,0	2037,0
COHESION FUND	-	1560,6	1853,1	2151,7	2443,7
EC R&TD FRAMEWORK PROGRAMME	2391,0	2094,0	2019,0	3019,0	3183,0
ECSC Grants					
Resettlement Art. 56.2(b)	154,8	182,4	157,0	123,8	56,3
Steel social Art. 56.2(b)	46,2	60,0	86,0	41,3	0,0
Coal social Art. 56.2(b)	50,0	50,0	40,0	40,0	23,2
Research Art. 55	120,2	124,6	52,0	61,4	85,0
Interest relief Art. 54/56	106,0	114,3	51,5	11,4	36,7
TOTAL	45407,0	50154,6	48481,8	50275,2	58046,8

(1) part corresponding approximately to the concept of aid within the meaning of Article 92 of the Treaty

Table B
Other Community Instruments

Million ECU

	1992	1993	1994	1995	1996
ECSC (new loans issued)	1486,2	918,3	673,4	402,8	279,7
European Investment Bank*	16066,0	17672,6	17656,0	18603,0	20946,0
European Investment Fund**	-	-	-	-	2294,0

* Financing provided within the EU

** Guarantees approved since inception in 1994

Table C1

Community Average Annual Expenditure by Member State (1992-1994)

Million ECU

	EAGGF Guarantee	EAGGF Guidance	EAGGF Guarantee Fisheries	EAGGF Guid Fisheries EFFG-FIFG	SOCIAL FUND	REGIONAL FUND	COHESION FUND (from 1993)	EC R&TD Framework Programme*	ECSC GRANTS*	TOTAL
BELGIUM	1278,7	35,8	0,2	4,0	154,7	30,0				1504,0
DENMARK	1257,0	28,7	3,4	29,6	54,3	6,5				1379,5
GERMANY	4979,7	434,2	0,9	16,3	798,5	304,4				6534,0
GREECE	2522,5	353,8	0,9	36,1	461,2	131,9	306,2			3812,6
SPAIN	4011,5	530,4	10,7	127,1	1146,7	273,7	936,3			7036,4
FRANCE	7680,5	602,5	10,1	31,9	665,6	145,6				9136,2
IRELAND	1513,9	179,5	2,2	7,8	307,0	120,6	154,9			2285,9
ITALY	4469,0	421,3	1,1	52,1	886,6	181,1				6011,2
LUXEMBOURG	6,9	8,4	-	-	5,0	3,9				24,2
NETHERLANDS	2207,5	24,5	0,1	7,9	163,5	12,9				2416,4
PORTUGAL	519,2	371,4	1,8	50,3	597,9	279,3	309,0			2128,9
UNITED KINGDOM	2664,7	110,2	1,8	20,0	768,3	113,9				3678,9
Technical assistance							0,4			0,4
								2168,0	465,0	2633,0
TOTAL	33111,1	3100,7	33,2	383,7	6009,3	1603,8	1706,8	2168,0	465,0	48581,6

* It is not possible to effect a breakdown by Member State.

Table C2
Community Average Annual Expenditure by Member State (1994-1996)

Million ECU

	EAGGF Guarantee	EAGGF Guidance	EAGGF Guarantee Fisheries	EAGGF Guid Fisheries EFFG-FIFG	SOCIAL FUND	REGIONAL FUND	COHESION FUND	EC R&TD Framework Programme*	ECSC GRANTS*	TOTAL
AUSTRIA	649,2	110,2	0,0	1,0	64,5	12,9				837,8
BELGIUM	1312,7	41,7	0,2	8,8	109,6	18,4				1491,4
DENMARK	1340,8	29,4	6,6	24,0	50,7	4,4				1455,9
GERMANY	5534,3	771,1	0,3	28,3	967,7	211,9				7513,6
GREECE	2627,2	352,8	0,7	12,8	292,9	244,2	386,1			3916,7
SPAIN	4297,9	649,7	6,1	174,9	1327,4	535,5	1181,5			8173,0
FINLAND	354,7	106,1	0,0	11,9	52,9	36,3				561,9
FRANCE	8641,9	498,0	12,0	24,1	664,2	160,8				10001,0
IRELAND	1532,1	198,9	2,8	5,8	316,1	117,8	193,3			2366,8
ITALY	3676,6	381,8	0,5	37,4	417,7	248,3				4762,3
LUXEMBOURG	15,3	6,7	0,0	0,3	4,3	0,6				27,2
NETHERLANDS	1793,7	24,2	0,1	6,7	178,1	15,2				2018,0
PORTUGAL	668,9	390,8	3,2	25,0	520,5	272,6	387,0			2268,0
SWEDEN	348,7	45,0	1,3	20,4	42,1	26,0				483,5
UNITED KINGDOM	3073,8	106,9	2,2	21,9	829,6	173,9				4208,3
Technical Assistance							1,5			1,5
								2740,0	288,5	3028,5
TOTAL	35867,8	3713,3	36,0	403,3	5838,3	2078,8	2149,4	2740,0	288,5	53115,4

(*) It is not possible to effect a breakdown by Member State

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