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### **State Aid Scoreboard**

(presented by the Commission)

## **State Aid Scoreboard 2001**

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## 1. INTRODUCTION

Strict control of State aid is essential for the proper functioning of the Internal Market. In recent years the Commission has significantly tightened State aid control, thus ensuring that Member States only award aid that really serves the common interest. Yet the annual level of overall aid in the EU was still more than 79 Billion Euro in 1999. Whilst each individual grant of aid is awarded under conditions accepted by the Commission, it is undeniable that the cumulative effect of all the aid has a considerable distortive effect on competition in the Internal Market.

This is recognised by Member States and the European Parliament. In 1996 the Dublin European Council<sup>1</sup> concluded that *European competitiveness should be advanced by, inter alia, continuing the dialogue between Council and Commission in order to improve the effectiveness of State aid control and to reinforce control mechanisms*. In 1998 the Cardiff European Council<sup>2</sup> further *emphasised the need to promote competition and to reduce distortions such as State aid*. Early last year, the Internal Market Council<sup>3</sup>, in its conclusions on the Cardiff economic reform process, called for *strategies to be developed for an overall reduction in State aid and stressed the importance of monitoring its level and evaluation of its economic effects, notably through statistical data*. The Lisbon European Council in March 2000<sup>4</sup> once again *reiterated its commitment to promote competition and called upon Member States to reduce the general level of State aid and shift the emphasis from supporting individual companies or sectors towards tackling horizontal objectives of Community interest, such as employment, regional development, environment and training or research*. The Commission, in its Recommendations for the 2000 Broad Economic Policy Guidelines<sup>5</sup>, has also stressed the importance of reducing the volume of State aid. It recommended that *Member States make additional efforts to avoid sector specific and especially ad hoc State aid*. In March this year, the Stockholm European Council<sup>6</sup> *asked Member States to demonstrate a downward trend in State aid in relation to GDP by 2003, taking into account the need to redirect aid towards horizontal objectives of common interest, including cohesion objectives*. For the first time therefore, an objective indicator was introduced against which Member States could measure their performance. In order to improve transparency in the field of State aid the Commission was asked to ensure the provision of a publicly accessible State aid Register and Scoreboard by July 2001. In its 2001 Broad Economic Policy Guidelines<sup>7</sup>, the Commission repeated this need to reduce overall state aid and to increase transparency. It recommended that *Member States should reduce the overall level of State aid in relation to GDP by 2003 and redirect it away from ad hoc and sectorial aids and increase the transparency of State aid policies*.

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1 SN 401/1/96 Annex II, page 3.

2 00150/98 point 17.

3 248<sup>th</sup> Council-Internal Market-16 March 2000, Conclusions, point 20.

4 SN 100/1/100 point 17.

5 COM(2000) 214 final dated 4<sup>th</sup> April 2000, point 3.6iii.

6 SN 100/01 point 20 and 21.

7 COM(2001) 224 final dated 25<sup>th</sup> April 2001, point 3.4ii.

In order to assess the possibility of reducing the distortive effect on competition in the Internal Market caused by the cumulative effect of overall State aid levels, Member States should ascertain their room for manoeuvre in the choice of the most appropriate Government intervention. State aid is essentially justified to rectify market failures. If there is a need for intervention, State aid is only one of the possible instruments that may be used and which also include regulation, direct government provision of certain goods or services, taxation, etc. There may, therefore, be situations where Member States could use measures other than State aid and that are more adapted to the objective pursued. Action based on an improved assessment of the effectiveness and the efficiency of State aid policies could enhance the functioning of the Internal Market. It might also lead to the improved targeting of State aid and a shift away from State aid to better-suited and less distortive instruments thereby reinforcing the current downward trend of overall aid in relation to GDP.

Member States' State aid policy is influenced by a combination of factors, both at the Community and the national levels. The former includes the requirements linked to economic policy co-ordination, the budgetary criteria of the Stability and Growth Pact, the co-financing priorities within the Community regional policy. The latter respond to national specificities which may change over time. Some Member States might have to concentrate aid on regional policy objectives for reasons of economic and social cohesion, whilst others, during a certain period of time, have to face massive restructuring in particular sectors. Some Member States might not need to grant as much State aid as others to support SMEs if their regulatory environment and capital markets already facilitate conditions for the development of those firms.

The different needs of Member States to rely on State aid in terms of the overall amount as well as for various objectives have to be discussed openly. Such an open discussion will allow to fully appreciate the room for manoeuvre to choose the most efficient economic policy instrument and thus also the potential to reduce the distortive effect on competition in the internal market. In order to generate this wider debate and an accelerated exchange of experience between the Member States, Commissioner Monti initiated two new tools to increase transparency on State aid issues: a State aid Register, already available on the Union's Internet server EUROPA<sup>8</sup>, and the present State aid Scoreboard.

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<sup>8</sup> [http://europa.eu.int/comm/competition/state\\_aid/register/](http://europa.eu.int/comm/competition/state_aid/register/)

## **2. STRUCTURE, CONTENTS, DEVELOPMENT AND LIMITATIONS OF THE STATE AID SCOREBOARD**

### **2.1. Structure and Contents**

The Scoreboard is a transparent and publicly accessible source of information on the overall State aid situation in the European Union and on the Commission's current State aid control activities. The Scoreboard is shared with Member States and will benefit from their contributions. This first edition comprises a series of indicators that describe different State aid situations. This first version of the Scoreboard asks questions rather than answering them. It points out differences, but does not necessarily explain them. The questions raised and the differences described will certainly be a thorough basis for discussion between the Member States and the Commission, but also, it is hoped, between the Member States themselves. It will raise awareness on State aid matters and will, not least, increase the often lacking understanding for the necessity of the Commission's State aid control.

The present Scoreboard consists of five parts: an overview of State aid in the European Union over the last ten years and in the recent past, a Member State forum, procedural performance in the European Union, current State aid policy and, State aid in the Internal Market. In addition, a technical annex presents the underlying data for each graph and table. Figures presented in the Scoreboard and annex are expressed in constant 1998 values.

The first part of the present Scoreboard shows State aid expenditure in the Union since 1990 expressed as a percentage of GDP and in absolute values. Overall aid expressed as a percentage of GDP in each Member State for the period 1997, 1998 and 1999 are also given. The shares of aid are then given according to the main purposes pursued: fostering horizontal objectives like research and development, small and medium-sized enterprises, environmental protection and energy saving or training and employment, helping agriculture and fisheries, assisting the transport sector, aiding other specific sectors like coal mining, shipbuilding or steel production, supporting regions that lag behind. This breakdown is followed by a more detailed breakdown of the horizontal objectives into their main constituent parts.

The second part provides seminal ideas for a Member State forum that will offer information on their levels of transparency and should act as a catalyst for discussion between Member States.

In the third part, an indication of Member States' success in complying with procedural rules is given in order to identify problems and therefore indicate where improvements might be necessary. In addition, information on the recovery of illegally granted State aid is included.

With a view to identifying possible areas where future action by the Commission under State aid rules might be necessary or desirable, the fourth part of the Scoreboard highlights some issues and situates Member States accordingly. The Member States are encouraged to discuss certain spending trends and patterns that might have a positive impact upon the functioning of the Internal Market.



The final part of the Scoreboard attempts to situate State aid in the broader context of the Internal Market and the structural reforms undertaken by the Member States. State aid, even if complying with EC competition policy rules, affect, among others, the competitive process in the Internal Market, economic policy co-ordination and the adjustment of the EU economy to new competitive conditions. In light of the broader implications of State aid and beyond the mere respect of EC competition rules, Member States may wish to consider re-evaluating their State aid policies for reasons of economic effectiveness and efficiency.

## **2.2. Development**

The Scoreboard will be developed gradually in response to the needs of its various future user constituencies. It will be based on a core set of indicators that will, over time, demonstrate policy shifts and State aid spending patterns. These core indicators will be accompanied in each Scoreboard by other indicators that will focus on certain topics for deeper analysis. The Scoreboard will also be developed with a view to add value to other Commission documents, in particular the proposals for Broad Economic Policy Guidelines, Structural Indicators and Benchmarking Enterprise Policy. The concept behind the initial structure is essentially to propose the direction in which the Scoreboard will develop in future.

## **2.3. Limitations**

State aid data collected for the Scoreboard are grouped according to primary objectives. It has to be noted that primary objectives cannot always give a completely accurate picture of the final beneficiaries: e.g. a part of regional aid is in fact paid to small and medium size enterprises, aid for R&D goes to particular sectors, and so on.

Throughout the Scoreboard a series of indicators is presented. It has to be underlined that the purpose of these indicators is to highlight factual developments, without attempting to establish causal links. In this way, the Scoreboard does not make judgements but is offering factual data, which allow to start discussions without prejudging their outcome. It is important to keep this limitation in mind when using the Scoreboard data.

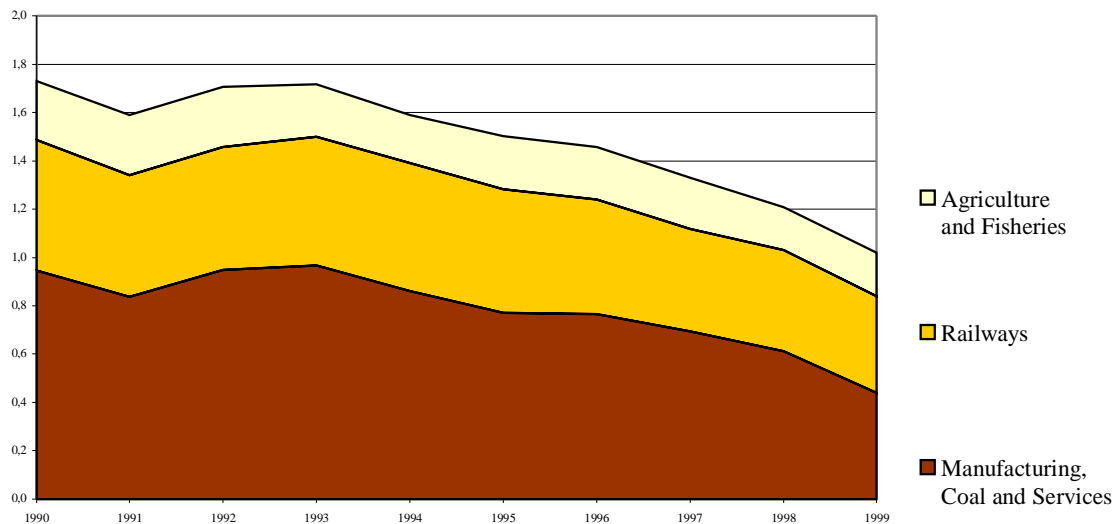
### 3. OVERVIEW OF STATE AID IN THE EUROPEAN UNION

This chapter gives an overview on aid granted in the European Union since 1990 and shows the changing patterns of State aid granted to agriculture and fisheries, railways and, the manufacturing, coal and service sectors. A breakdown of aid granted to the manufacturing and service sectors and of aid that supports certain horizontal objectives is also given.

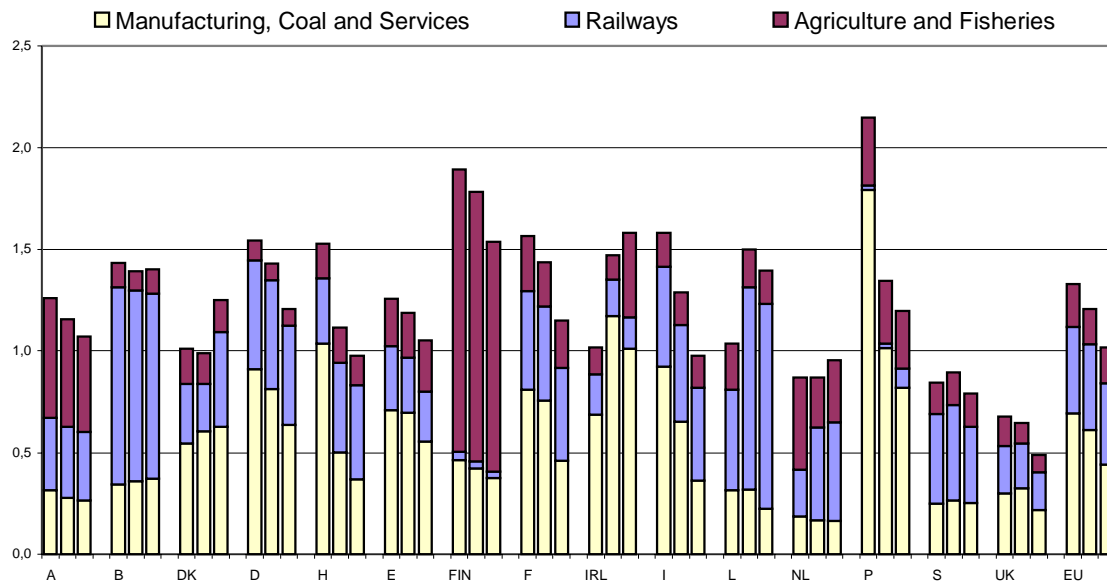
#### 3.1. Stockholm indicator – Movement in a downward direction

The EU level of overall State aid expressed as a percentage of GDP has been coming down over the years after having peaked in 1993. With the latest data indicating an aid level of 1% of EU GDP, there may still be some room for further decreases in future. The Member States have agreed in 2001 in Stockholm to use this room for further decreases.

**Graph 1: Long term decrease in the overall level of State aid as a percentage of EU GDP 1990-1999**



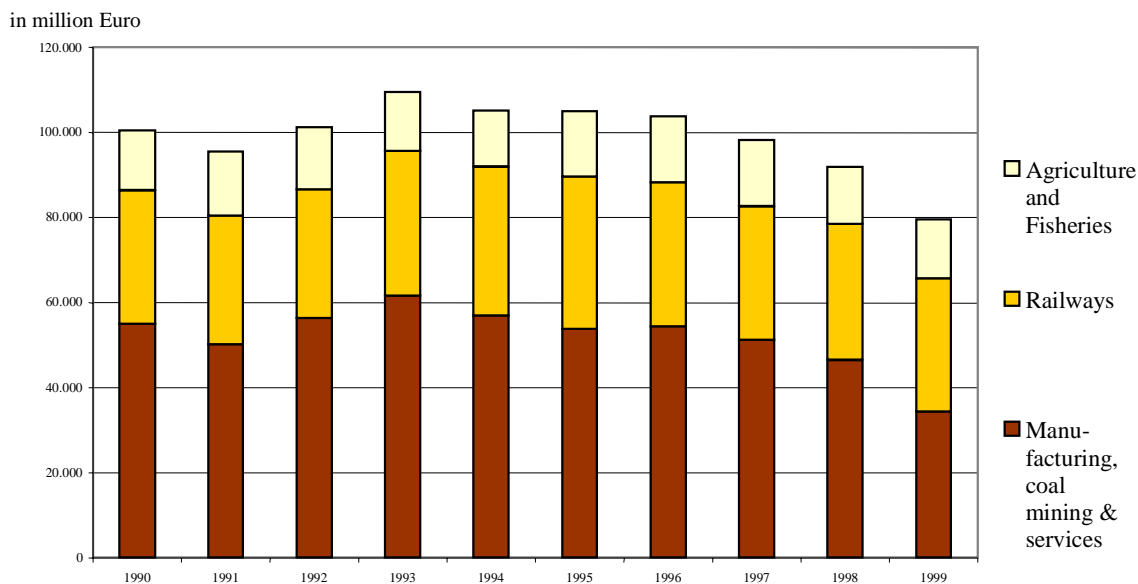
**Graph 2: State aid expressed as a percentage of GDP dropped in most Member States between 1997 and 1999.**



From 1997 to 1999 overall aid expressed as a percentage of GDP dropped in the majority of Member States. Slight increases are only seen in Denmark, Ireland, Luxembourg and the Netherlands.

### Graph 3: Steady decrease in aid granted to the manufacturing, coal and service sectors since 1993

Expressed in million Euro in constant 1998 values, absolute amounts of aid granted in the EU have dropped by over 20% from the 1993 peak. This drop is all the more important when one considers that since 1995, the Union comprised fifteen Member States. The largest decrease has been seen in levels of aid granted to the manufacturing, coal and service sectors.



### 3.2. Focus on manufacturing, coal and services

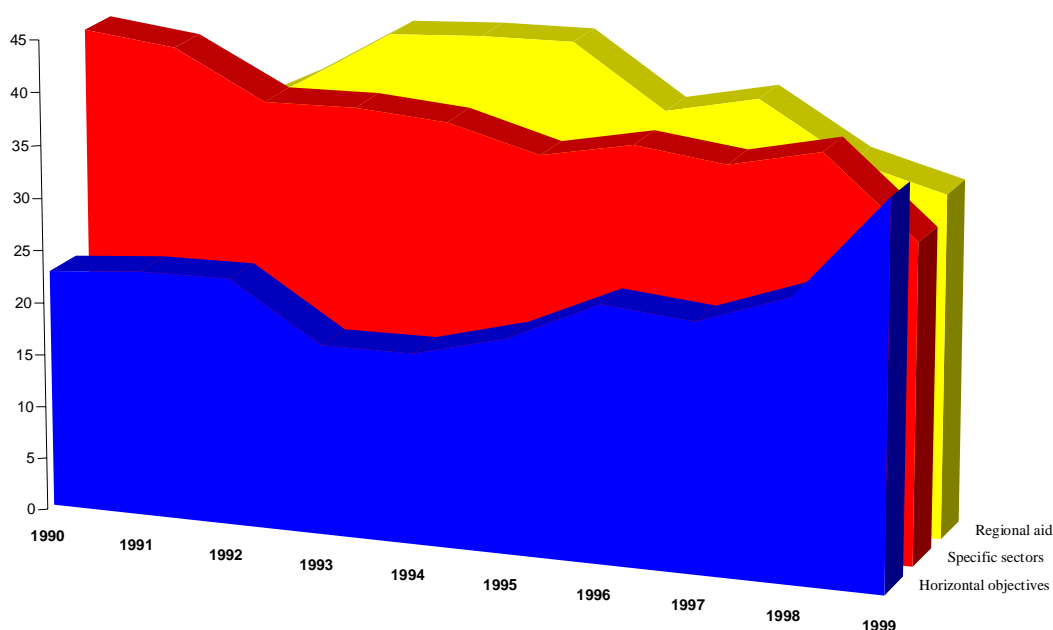
At the Lisbon European Council in 2000, Member States subscribed to the need to tackle horizontal objectives of common interest such as employment, environment, training or research and regional development. The Scoreboard will therefore concentrate on these objectives in the context of the manufacturing, coal and service sectors.

Large parts of the agricultural and fisheries sector traditionally receive substantial support from the Community budget. A separate analysis will be made in future Scoreboards.

State aid for railway transport is usually granted to undertakings that perform a public service obligation. Despite the different nature of aid granted for public service obligations, it constitutes, according to recent Court decisions, State aid. An analysis of aid to this sector will be considered in future.

Aid to the Agricultural, Fisheries and Railway transport is therefore not included hereafter in this chapter.

**Graph 4: Share of aid granted for horizontal and regional objectives and to specific sectors as a percentage of overall aid in the EU, less aid to agriculture, fisheries and railway transport**

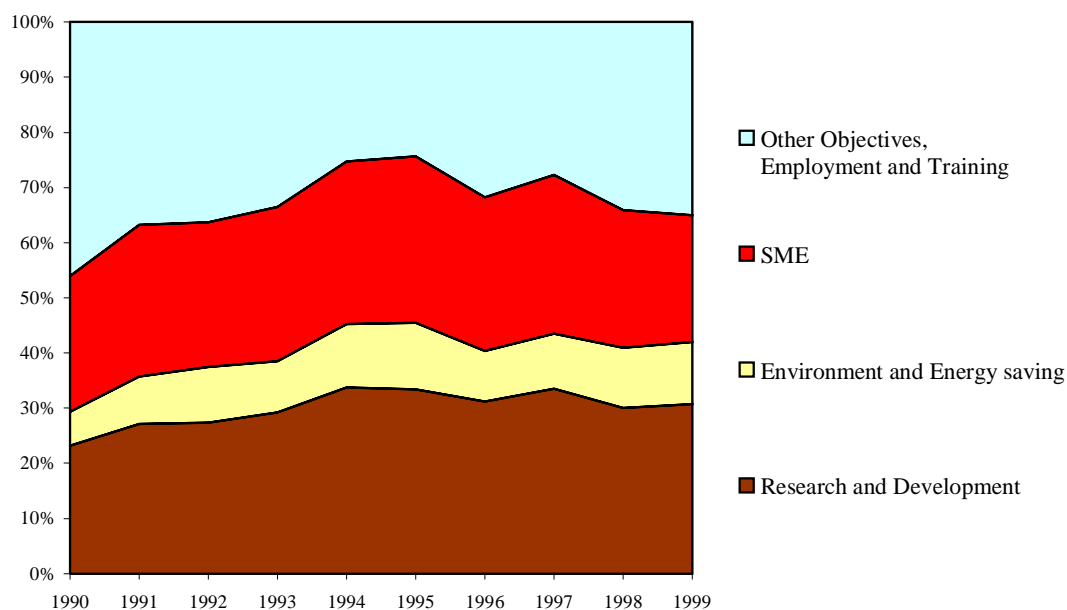


Graph 4 shows a gradual shift in the share of aid away from specific manufacturing, coal and service sectors towards horizontal aid. Moreover the sharp drop in 1999 of the share of aid destined to specific sectors - mainly steel, shipbuilding, some other manufacturing sectors, coal mining, air transport, tourism, financial services, media and culture - was matched by a significant increase in the shares of aid granted for horizontal objectives - research and development, environmental protection and energy saving, small and medium sized companies, employment and training.

### 3.3. Gradual changes in patterns of support granted to horizontal aid

Most categories of horizontal aid are considered as having the potential to create benefits that are greater than their cost measured in terms of aid amounts alone. Strictly speaking aid for rescue and restructuring is also a horizontal aid as it is not limited *per se* to any particular economic activity or geographic area. Nevertheless this type of aid has a greater potential for distorting competition than other horizontal aid and is considered separately.

**Graph 5: Gradual changes in the pattern of horizontal aid objectives in the European Union since 1990**



Over close to a decade the shares of aid for research and development and to a lesser extent, environmental protection and energy saving increased their relative importance whilst the share of aid for SMEs has remained stable.

## **4. MEMBER STATE FORUM**

### **4.1. Member States' provision of information on state aid**

An important component of a peer review process that the Commission wishes to encourage by way of the Scoreboard is a transparent exchange of information between Member States on various aspects of their respective State aid/Competition policies. The Scoreboard is therefore designed to provide links to relevant Internet sites operated by or on behalf of the Member States. In this way the profile of information already provided to the public by Member States on their aid policies should be increased.

Each Member State will gradually provide further information on relevant Internet addresses where information on national competition activities is available.

For the time being the addresses below provide access to information and reports on State aid, subsidies and competition issues that have been published in Germany, Italy and the UK by the Bundesministerium der Finanzen, Ministero delle Attività Produttive and the Department of Trade and Industry (DTI) respectively.

- <http://dip.bundestag.de/btd/14/015/1401500.pdf>
- <http://www.minindustria.it/dgci/Relazione/relazione.htm>
- <http://www.dti.gov.uk/opportunityforall/indicators2/index.htm>

### **4.2. Member States' vision of the future thrust of national state aid policies**

To add a further dimension to information on national activities, Member States provide details on official sources of information that provide an indication of current thinking on the development of national State aid policies. In this context documents on budgetary planning of the Member States typically provide an initial impression on future developments of aid policies.

The UK has indicated the following addresses:

<http://www.dti.gov.uk/europe/stateaid/index.htm>

This address gives information from the Department of Trade and Industry on State aid.

[http://www.hm-treasury.gov.uk/docs/2001/enterprise\\_1806.html](http://www.hm-treasury.gov.uk/docs/2001/enterprise_1806.html)

This address provides a link to a joint HM Treasury/DTI document that is mainly about reforms to the UK competition regime and in addition is linked to the EU competition agenda, including comments about State aid.

Budgetary planning of Germany for the period of 2001 to 2005:

<http://www.bundesfinanzministerium.de/fach/abteilungen/bundhaus/bhh2002.pdf> (see page 10 of the document).

As regards Finland, the Business Aid (General Conditions) Act of 1998 is given as an example. Under the Act, business aid (excluding agriculture and fisheries) must be allocated primarily to correct market shortcomings. At the same time the Act stipulates that the business aid programmes must be drawn up in such a way that they have as little effect as possible in terms of distorting competition. Another central feature is that the Act also requires the authorities to evaluate the attainment and effectiveness of the objectives laid down for the aid programmes in order to identify whether the aid is necessary and where it may need to be developed.

For the purpose of the Scoreboard, contact data for all the bodies involved in supervising and granting State aid, along with descriptions of the national projects on this subject will be provided in future.



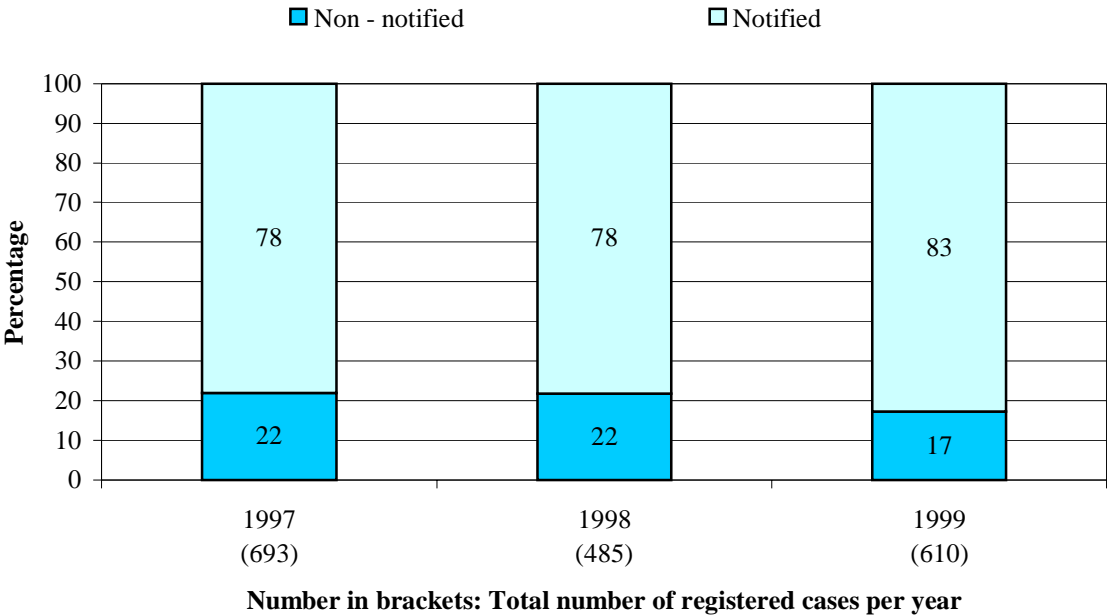
**5. PROCEDURAL PERFORMANCE IN THE EUROPEAN UNION**

**5.1. Procedural performance**

The Commission controls the Member States' granting of State aid by means of a formal and transparent procedure, Council regulation No 659/1999. In the following six graphs, three indicators are used to illustrate Member States' compliance with the state aid control procedure in all sectors except agriculture, fisheries, railway transport and coal (See technical annex for details).

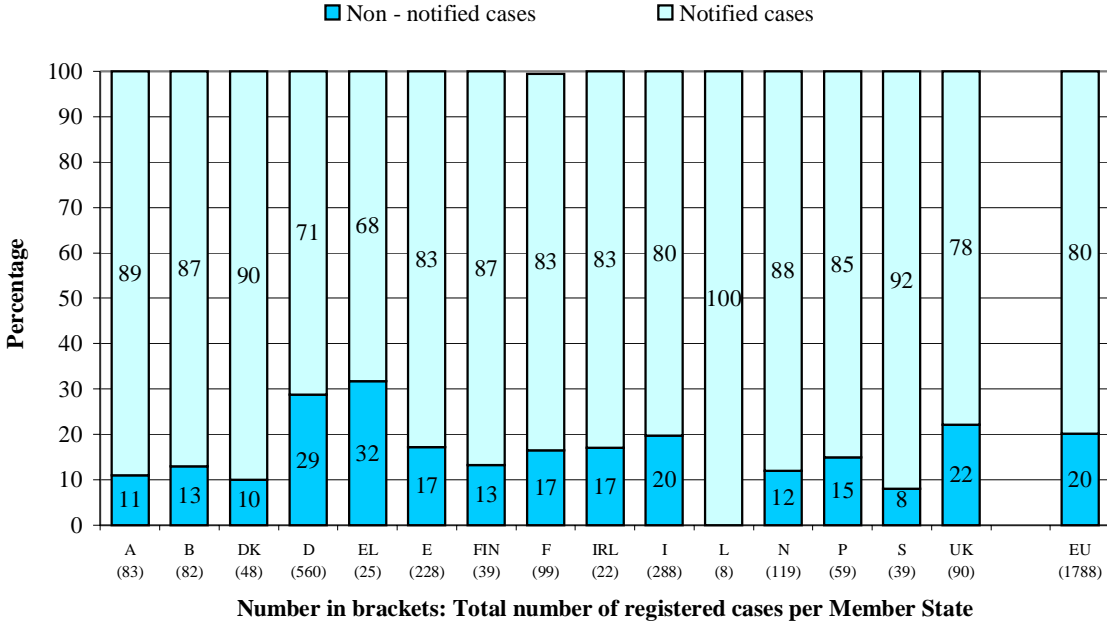
Graph 6 shows the share of investigated aid cases for which, contrary to the procedural provisions, not the Member State, but the Commission had to initiate the control procedure after having found out about the aid, for example following a complaint. The share in the total number of registered aid cases, of these so-called non-notified aids hints to differing degrees of the correct understanding of the notion of State aid, to differences in the complexity of cases and may also indicate administrative difficulties that the Member States may encounter when applying the state aid rules.

**Graph 6: Aid cases investigated but not notified to the Commission as percentage of all cases registered in the years 1997, 1998 and 1999**



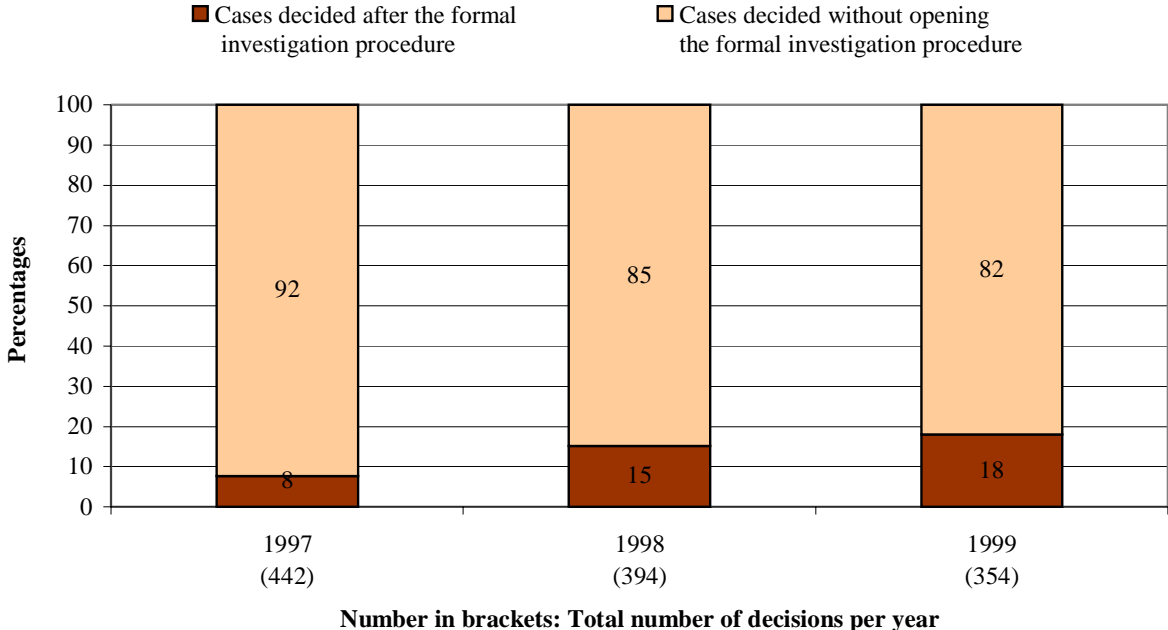
The following graph gives a breakdown of the above information by Member State.

**Graph 7: Aid cases investigated but not notified to the Commission as percentage of all cases registered from 1997 until 1999. Breakdown by Member State.**



In Germany, Greece, Italy and the UK, the proportion of non-notified cases are equal to or greater than the EU average.

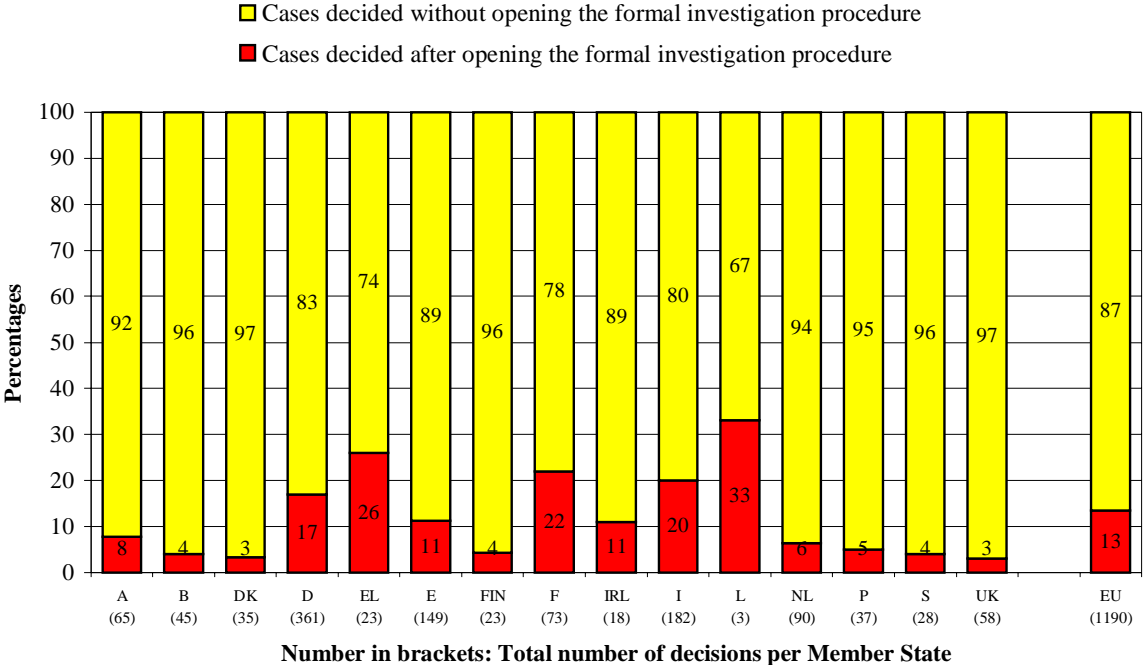
**Graph 8: Share in overall number of cases decided after the opening of the formal investigation procedure in the years 1997, 1998 and 1999**



Where the Commission has doubts whether certain aid measures comply with State aid rules, it carries out a formal investigation during which third parties and all Member States are invited to provide observations. In most of the cases, the Commission has, however, no doubt on the compatibility with the State aid rules and allows Member States to award such aid without carrying out a formal investigation procedure. It only opens this procedure, when doubts exist. Graph 8 shows the share of these doubtful cases, i.e. which were only decided upon after the formal investigation procedure, as a percentage of all final decisions taken between 1.1.1997 and 31.12.1999. Graph 8 also shows that whilst the number of decisions taken on aid by the Commission decreased from 1997 to 1999, the actual number of formal investigations has steadily gone up during the same period thus indicating an increasing share of complex cases.

The following graph gives a breakdown by Member State of the above information.

**Graph 9: Proportion of overall number of cases decided after the opening of the formal investigation procedure during the period 1997 until 1999. Breakdown by Member State**

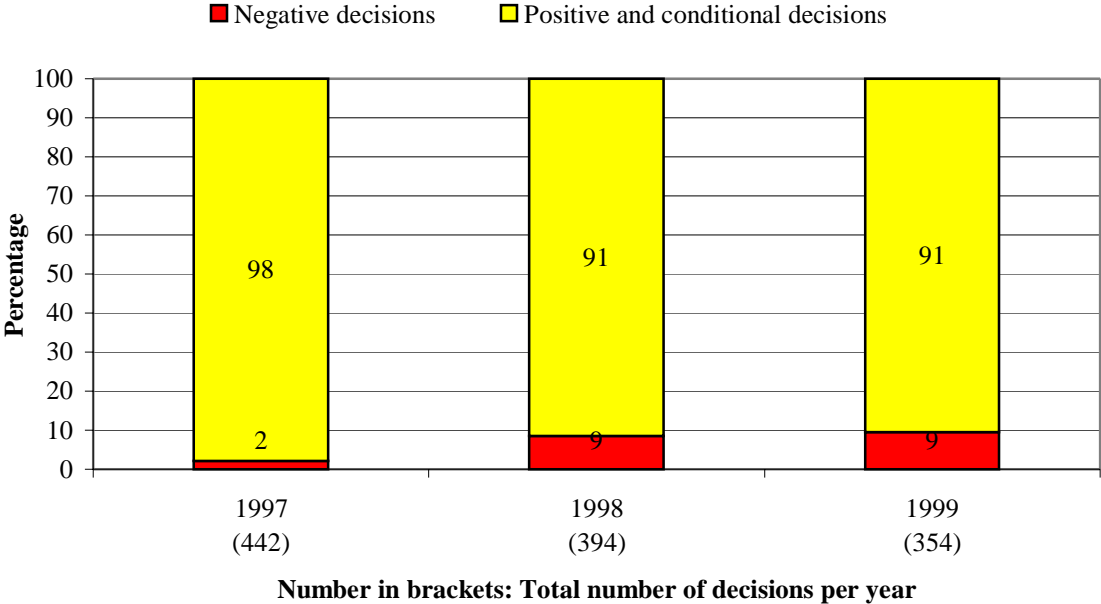


The proportion of aid decisions only taken after a formal investigation procedure is above the EU average in Germany, Greece, France, Italy and Luxembourg.

When, at the end of the formal investigation procedure, the Commission comes to the conclusion that the examined aid does not comply with State aid rules and hence is not compatible with the Common Market, it takes a negative decision.

The following graph 10 shows the share of incompatible and compatible aid cases that have been examined by the Commission. The total number of decisions between 1.1.1997 and 31.12.1999, are broken down into negative and positive decisions, the latter sometimes only being made under certain conditions. The share of such conditional decisions in the overall number of decisions did not exceed 2% in this period.

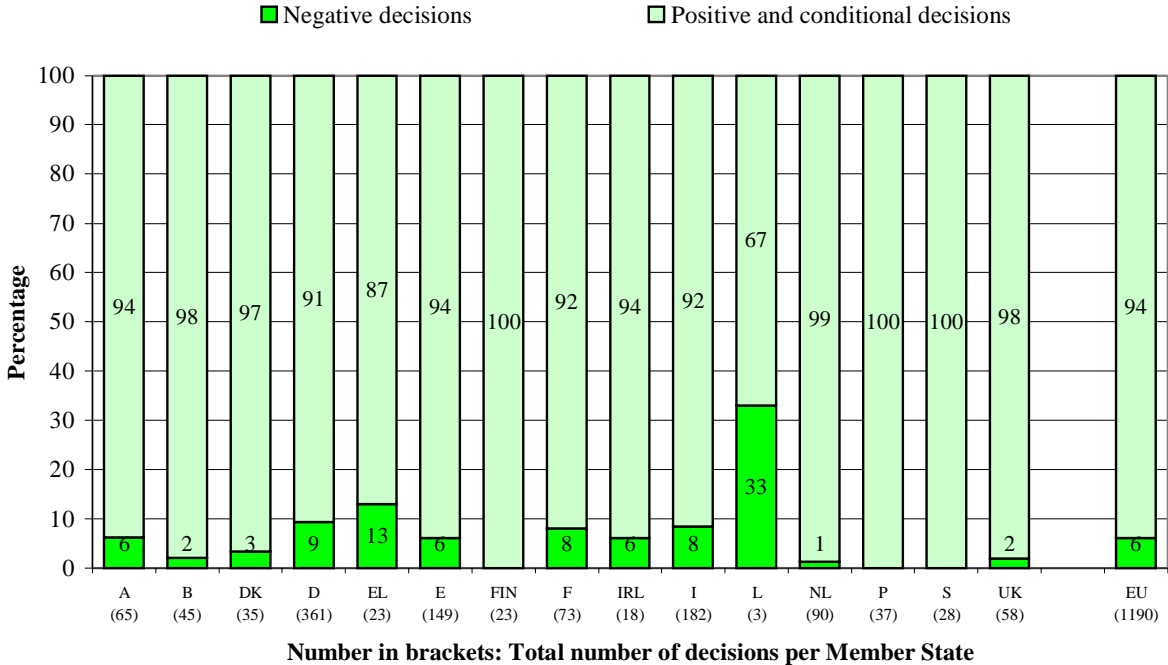
**Graph 10: Compatibility indicator for the EU in the years 1997, 1998, 1999**



In 1997, four conditional Commission decisions were taken on cases from Germany, Italy and France. In 1998, eight such decisions were taken on cases from Austria, Germany, Italy and France and, in 1999, a further three conditional decisions were taken on cases from Germany, Italy and the Netherlands.

The following graph gives a breakdown by Member State of the above information.

**Graph 11: Compatibility indicator during the period 1997 until 1999. Breakdown by Member State**



The share of negative decisions for Germany, Greece, France, Italy and Luxembourg is above the EU average.

## 5.2. Recovery of State aid

When the Commission comes to the conclusion that an aid is not compatible with the EC Treaty, it takes a negative decision and, as a general rule, orders the Member State to recover aid from the beneficiary if the aid has already been awarded.

The following table shows for the last ten years the number and distribution of Commission decisions ordering the recovery of aid in sectors other than agriculture and fisheries.

**Table 1: Recovery decisions in the years 1990-1999 for sectors except agriculture and fisheries**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Manufacturing and Services</b>	5	4	5	3	1	6	13	10	26	24
<b>Transport</b>	-	-	-	1	1	2	1	2	1	-
<b>Total</b>	5	4	5	4	2	8	14	12	27	24

The following table shows for the same sectors the number of recovery orders the execution of which is still pending at the end of the year 2000. It also indicates the share of recovered cases where legal procedures are pending or which are subject to a bankruptcy procedure.

**Table 2: Recovery orders pending at 31.12.2000 in sectors other than agriculture and fisheries**

<b>In process of execution</b>	<b>Forming part of bankruptcy procedures</b>	<b>Currently object of National court procedures</b>	<b>Currently object of European court procedures</b>	<b>Total number pending</b>
31	11	5	20	67

## **6. STATE AID OBJECTIVES**

This chapter deals with the State aid objectives outside of aid granted to the agricultural, fisheries and rail transport sectors.

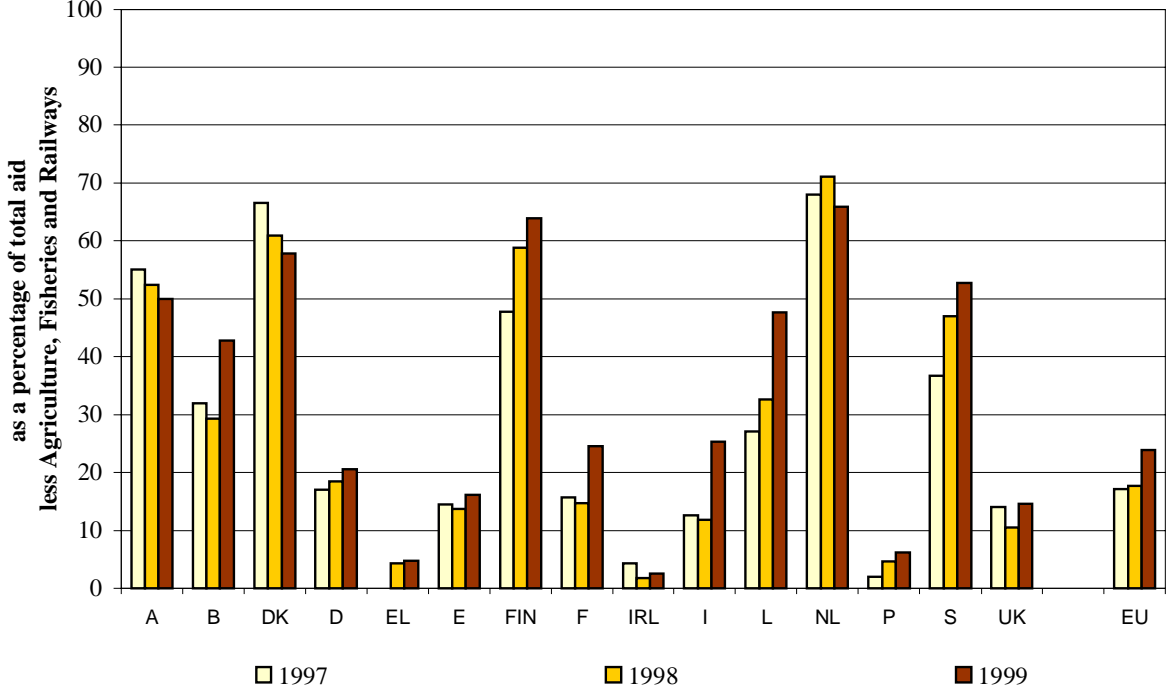
### **6.1. State aid for horizontal objectives**

State aid for horizontal objectives, i.e. aid that is not targeted towards specific sectors or geographic areas, is usually considered as being less distortive than sectorial and ad hoc aid, such as aid for rescue and restructuring. The possibility to grant aid horizontally to all sectors implies that it has a less selective effect than the other kinds of aid. Its positive effect in addressing market failures is therefore more likely to outweigh its negative impact on competition.

During the Lisbon and Stockholm European Council, Member States agreed to the importance of redirecting aid towards horizontal objectives of common interest. Research and development, safeguarding the environment and energy saving and supporting small and medium-sized enterprises are the most prominent horizontal objectives pursued with State aid. The following graph shows the Member States' efforts by way of State aid that is granted specifically to attain these objectives. Until such time that State aid data can be classified according to objectives and final impact, aid also supporting these goals but actually granted for other primary objectives, regional aid for example, cannot be included. However there is a very unequal distribution of aid that specifically supports horizontal objectives and in many Member States the reorientation requested in Stockholm will have to be a priority objective for national State aid policy. Nevertheless, with only few exceptions, the development over time is clearly going in the direction desired by the European Council.



**Graph 12: Levels of State aid granted specifically to R&D, SMEs, Environmental protection and Energy saving as a percentage of total aid less aid to agriculture, fisheries and railway transport 1997, 1998 and 1999**

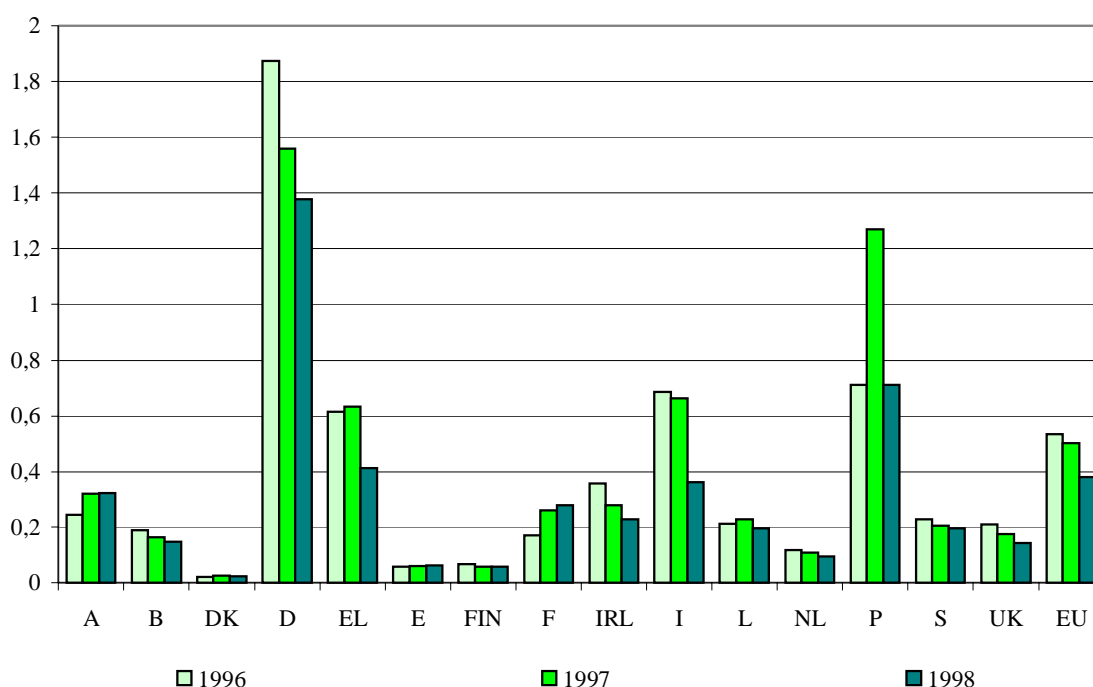


## 6.2. State aid for regional objectives

Regional aid is also considered to be generally less distortive than aid directed to specific sectors or ad hoc aid. It is also considered to be an acceptable tool for improving cohesion in the European Union. Consequently, the Stockholm Council also asked the Member States to redirect State aid in support of cohesion objectives.

The impact on regional economies of using State aid to tackle regional problems can be illustrated by the following graph 13. With the exception of Luxembourg where a breakdown of GDP by assisted region is not available, this graph expresses regional aid as a percentage of GDP of assisted regions. It has to be stressed that in addition to such regional aid, the Community also awards support to projects that are financed jointly with Member States. However, Community funding is not included here.

**Graph 13: Regional state aid as a percentage of GDP of assisted regions from 1996 to 1998**



Apart from the quite important differences amongst the Member States that are shown in this graph, it appears that Member States are either reducing levels of regional state aid or maintaining a relatively low but stable level of regional aid. Of the four “cohesion countries”, Spain and Ireland have in 1997, relatively low levels of regional aid, whilst in both Greece and Portugal, between 1997 and 1998, regional aid levels appear to be decreasing rapidly.

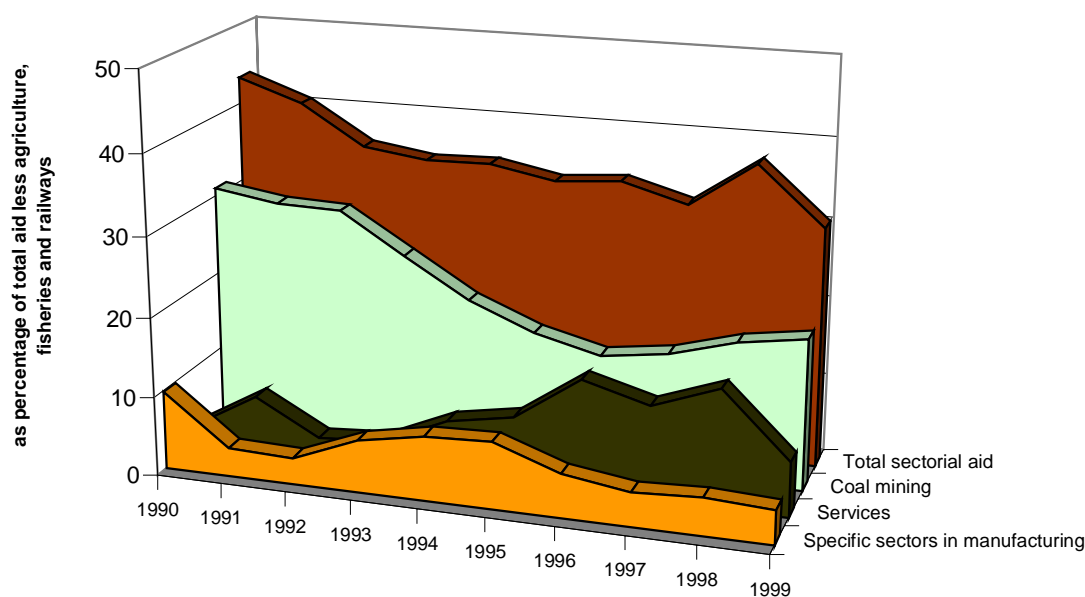
Information on maximum aid intensities allowable in each Member State in 1999 is provided under:

[http://europa.eu.int/comm/competition/state\\_aid/regional/](http://europa.eu.int/comm/competition/state_aid/regional/)

### 6.3. State aid for specific sectors

Aid to support specific sectors is likely to distort competition to a larger degree than aid that is directed towards the horizontal objectives discussed in paragraph 6.1. Aid destined to coal mining and specific manufacturing sectors is mainly directed either to declining industries in order to attenuate the social repercussions of structural change or, unfair price competition on the world shipbuilding market. In contrast the bulk of aid that is directed towards specific service sectors favours those areas of activity that are continually growing in importance, such as tourism or, sectors that have recently been liberalised such as air transport and financial services. Graph 14 displays the relative size of State aid granted to these sectors in comparison to aid given to coal mining and the manufacturing sector.

**Graph 14: State aid to specific sectors as a percentage of total aid less aid to agriculture, fisheries and railway transport, 1990-1999**



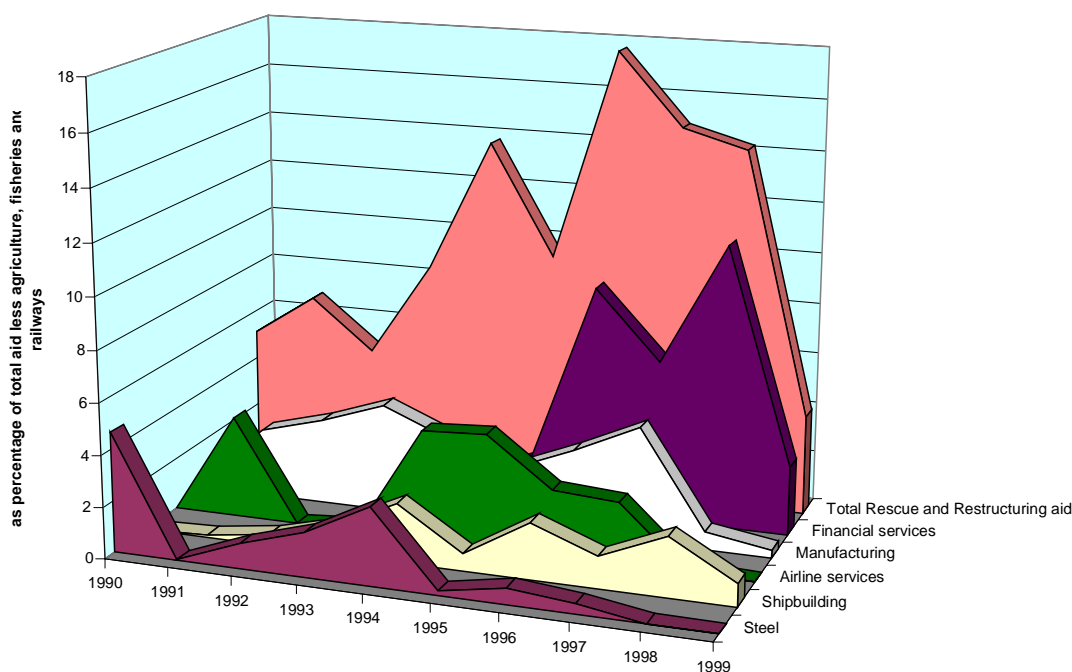
Manufacturing includes steel, shipbuilding and other manufacturing sectors. Services include the media, culture, tourism, financial and air transport sectors.

#### 6.4. State aid for rescuing and restructuring companies

The graphs presented in the preceding paragraphs on horizontal and regional aid reflect differences between Member States' aid policies based on medium and long-term policy objectives. A more complete picture has to take account of Member States' other necessities, which are often found in rescue and restructuring of ailing companies. The bulk of rescue and restructuring aid is granted ad hoc.

Aid for rescuing and restructuring companies is more likely to distort competition than aid directed towards the above-mentioned horizontal objectives. Consequently, such ad hoc aid should not be granted to attain long-term State aid policy objectives, but rather for temporary and diminishing needs.

**Graph 15: Rescue and restructuring aid in different sectors as a percentage of total aid less agriculture, fisheries and railway transport, 1990-1999**



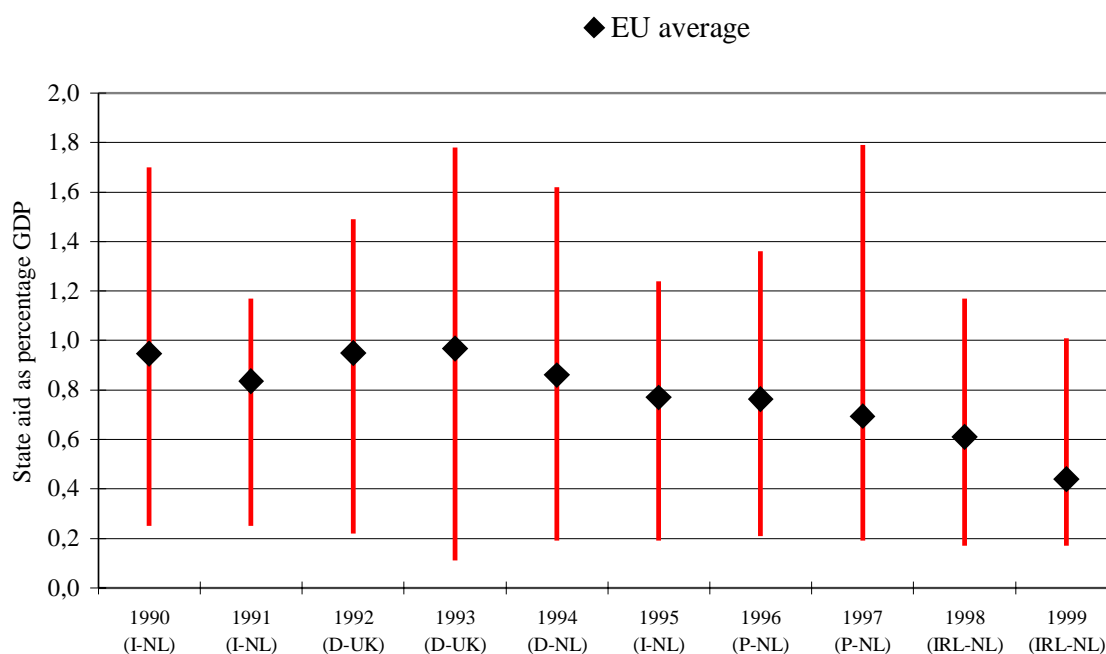
Graph 15 above displays State aid granted in the European Union for rescue and restructuring in different sectors during the years 1990 until 1999. The graph reflects the different restructuring cycles that have been followed in the Union over the past ten years to address the various needs of those economic sectors where restructuring has been needed most.

## 7. STATE AID POLICY IN THE INTERNAL MARKET

### 7.1. Reduction of State aid dispersion between the Member States

At the Stockholm Council Member States were called upon to demonstrate a downward trend in State aid in relation to GDP by 2003. This has to be placed in the context of alignment of economic policies within the Internal Market. The following graph 16 shows the diminishing EU annual level of State aid during the last ten years, expressed as a percentage of GDP, to the manufacturing, coal mining and service sectors. It furthermore illustrates that the differences of State aid award amongst Member States, i.e. the range between the highest and lowest level of aid in terms of GDP are striking.

**Graph 16: Dispersion of total aid less aid to agriculture, fisheries and railway transport as percentage of GDP in the EU 1990-1999**



Expressed as a percentage of GDP, in 1990 and 1991 Italy granted the highest amount of aid whilst the Netherlands granted the lowest. During the period from 1992 to 1994 Germany granted, particularly to the new German Bundesländer, relatively high amounts of aid as a percentage of GDP whilst in the UK and the Netherlands, aid levels remained the lowest in the Union. Since 1994 the Netherlands have consistently granted the lowest level of aid in the Union in terms of percentage of GDP.

## **7.2. State aid and economic policy co-ordination**

EU State aid control is mainly concerned with the distortions of competition caused by State aid having an impact on trade between Member States. There are however additional reasons why controlling and containing State aid is important and these relate to the efficiency of Member States' product markets and the functioning of the Economic and Monetary Union (EMU).

### *Efficient product markets and the Broad Economic Policy Guidelines*

State aid distorts competition and, whether or not it has an impact on trade between Member States, may damage the allocative efficiency of the European economy. In particular, it modifies economic incentives and so may cause the inefficient allocation of scarce private resources to industries receiving aid and away from others. State aid may also encourage rent-seeking behaviour and "capture" of government by industries, and moral hazard in the case of failing industries. Like other government expenditures, the financing of State aid also raises the issue of the marginal cost of public funds, i.e. the loss of efficiency due to taxation.

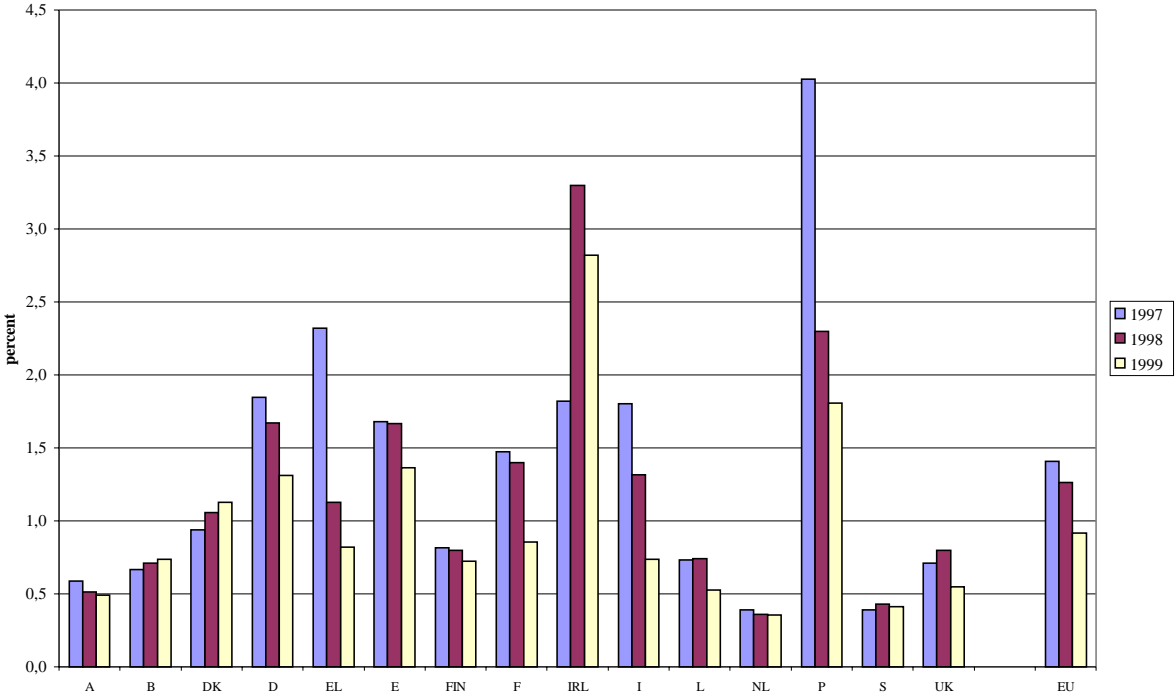
The consequences of State aid in terms of inefficient functioning of product markets imply that the European Commission's control of State aid needs to be supplemented by an effort of self-discipline on the part of the Member States themselves. In view of the cross-border spillover effects of State aid, this self-discipline can be more rigorous and politically acceptable if the efforts of the Member States are co-ordinated. To this end, since 1999 recommendations on State aid are included in the framework of the Broad Economic Policy Guidelines (BEPG).

The BEPG are at the centre of the process of multilateral surveillance of the economic policies in the EU, and provide impetus to Member States in the area of structural reforms. The reduction of State aid has received increasing attention since the Cardiff European Council of 1998, which highlighted the need to promote competition and to reduce distortions in product markets. The Commission's Recommendations for the 2001 BEPG continue to put high priority on containing State aid and Member States are requested to "reduce the overall level of State aid in relation to GDP by 2003 and redirect it away from ad hoc and sectoral aids, and increase the transparency of their State aid policies".

### *Budgetary discipline and the Economic and Monetary Union*

In budgetary terms, expenditure on State aid in the EU as shown in graph 17, is not huge having dropped below 1% of General Government Expenditure in 1999. Nevertheless, State aid competes for scarce budgetary resources with many other important activities. From the public finance point of view, this raises the question of determining priorities, given the constraints imposed on the budget by the politically acceptable level of taxation and the sustainability of the public debt.

**Graph 17: National aid less aid to agriculture, fisheries and railways in the Member States from 1997 to 1999 as a percentage of government expenditure**



In particular, within the Economic and Monetary Union, Member States are required to pursue budgetary discipline with a view of supporting a monetary policy targeted to price stability. Budgetary discipline avoids the risk of spill-over effects of unsound fiscal policies and allows Member States to retain enough room of manoeuvre for using their national fiscal policy to address country-specific circumstances. More recently, sound public finances have been also associated with the need to prepare for the budgetary consequences of ageing populations.

The Stability and Growth Pact lays down the basic principles for the conduct of fiscal policy within the European Monetary Union (EMU). It establishes a comprehensive surveillance and co-ordination procedure to ensure sustainable public finances and budgetary discipline during the third stage of EMU.

The provision of State aid therefore takes place within relatively tight budgetary limits, strict surveillance mechanisms and increasing attention to the quality of public finances. All these constraints contribute to raising the opportunity cost of government resources, since within the available spending limits State aid now competes more intensely with other possible uses of government resources. Member States therefore face an even stronger incentive to monitor the efficiency of the State aid they grant.

Between 1997 and 1999, increases in State aid as a percentage of Government expenditure are seen in Belgium, Denmark, Ireland, and Sweden.

### **7.3. State aid and structural change**

In a changing environment, the competitiveness of firms, industries and nations depends on their ability to react quickly to new opportunities and challenges: adaptation, as captured by structural change, is a manifestation of competitiveness. The processes of country or regional specialisation, of concentration of the industry into some locations and changing sector shares in the economy are driven, of course, by the decisions of individual firms and investors. The speed of change depends mainly on economic forces such as changing factor prices, technology shocks and changing consumer tastes. Open and competitive markets and an active entrepreneurial culture facilitate change.

The speed of structural change correlates positively with output (GDP) and productivity growth. In comparison with the US, Europe tends to be slower in adjusting its economy.

In principle, State aid could weigh in favour of structural change by contributing for example, to an acceleration of workforce adaptation or technology transfer. One of the aims of the Scoreboard is to measure the contribution of State aid in facilitating structural change.

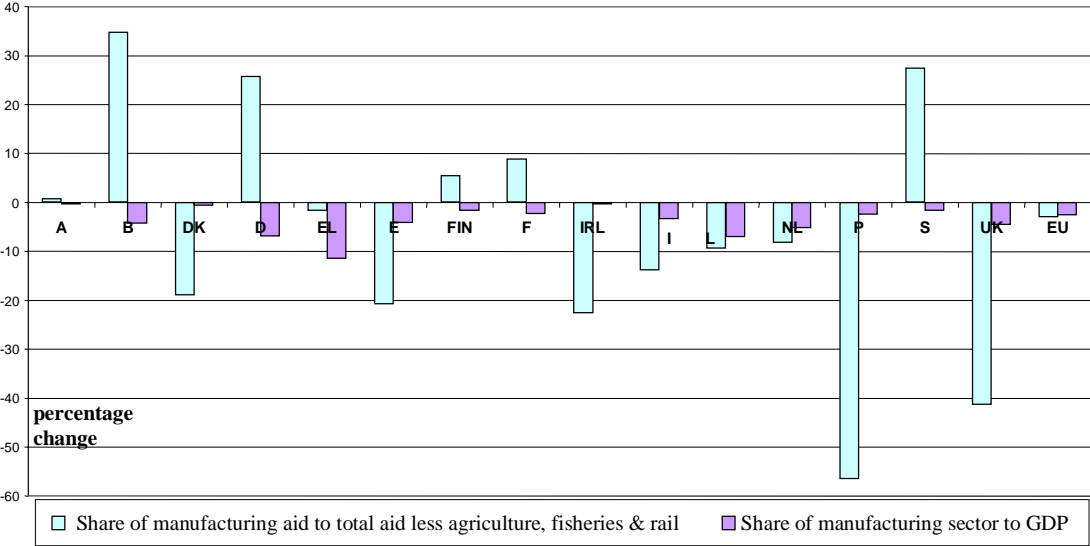
Even if the use of State aid meets its immediate goals in the context of a region or country, State aid raises issues with respect to cohesion. Indeed, it might contribute to a slow-down of economic convergence, if “front runners” mobilise more public aid resources than those “catching up”.

At the level of the firm, data do not allow addressing questions such as to what extent have beneficiaries of restructuring State aid succeeded, how many jobs have been maintained and what was the total opportunity cost of these operations. In view of these difficulties, State aid for restructuring must be monitored very closely.

Graph 18 below shows the change in the contribution of the manufacturing sector to overall national GDP and the change in the share of manufacturing aid to total aid less agriculture, fisheries and railway transport in the years 1990 and 1999. The graph does not show any correlation between State aid and structural change.



**Graph 18: Relationship between the percentage change in the contribution of the manufacturing sector to overall national GDP and the change in the share of manufacturing aid to total aid less aid to agriculture, fisheries and railway transport between 1990 and 1999**



\* Data for Austria, Finland and Sweden only cover the period from 1995 to 1999.

In all Member States the contribution of the manufacturing sector to national GDP has decreased during the observation period whilst in six Member States, Austria, Belgium, Germany, Finland, France and Sweden, aid to manufacturing increased its share of total aid less aid to agriculture, fisheries and railway transport.

#### 7.4. State aid and competition in the Internal Market

State aid is a powerful public policy instrument which can have a significant impact on competition conditions within the Internal Market, but it is not the only one. Other regulatory legal and policy instruments in the hands of public authorities have an impact on the Internal Market.

An overall assessment of competition conditions in the Internal Market must also take into account the degree, nature and evolution of public policy intervention on other fronts. The favourable effects of a progressive reduction in State aid spending may vanish if public authorities engage in other policies aiming at replacing protectionist subsidies with for example, non-tariff barriers. On the other hand, a reduction in State aid spending will be more beneficial in a context of increasingly open, transparent and competitive markets.

It is difficult to capture all the possible legal, regulatory and policy variables in the hands of public authorities. Table 3 shows State aid and two indicators of market openness related to trade and inward foreign direct investment. Although they are not the direct result of public policy intervention only, a positive evolution of these two indicators results in increased competition due to increasing exposure to foreign competition.

The Table shows that the overall evolution of competitive conditions is positive. In most countries, State aid reductions are accompanied by increasingly open markets.

**Table 3 State aid less agriculture, fisheries and rail transport, Trade openness and FDI, as a percentage of GDP**

	State aid* as a percentage of GDP		Trade openness (Exports plus imports) as a percentage of GDP		Inward FDI as a percentage of GDP	
	1999		1999		1999	
<b>Austria</b>	0,27	(5+)	44,09	(6+)	1,1	(11+)
<b>Belgium</b>	0,37	(8-)	100,89	(1+)	12,3	(2+)
<b>Denmark</b>	0,63	(12-)	37,01	(8-)	1,5	(10+)
<b>Germany</b>	0,64	(13+)	28,67	(12+)	2,2	(7+)
<b>Greece</b>	0,37	(7+)	20,44	(15+)	0,9	(12-)
<b>Spain</b>	0,55	(11+)	30,95	(10+)	0,9	(13-)
<b>Finland</b>	0,38	(9+)	35,41	(9+)	2,0	(8+)
<b>France</b>	0,46	(10+)	29,35	(11+)	1,5	(9+)
<b>Ireland</b>	1,01	(15+)	84,57	(3+)	8,4	(5+)
<b>Italy</b>	0,36	(6+)	23,21	(14+)	0,6	(14+)
<b>Luxembourg</b>	0,23	(3+)	100,89	(1+)	12,3	(2+)
<b>The Netherlands</b>	0,17	(1+)	75,42	(4-)	6,5	(6+)
<b>Portugal</b>	0,82	(14+)	48,02	(5+)	0,3	(15-)
<b>Sweden</b>	0,25	(4+)	40,46	(7+)	21,1	(1+)
<b>United Kingdom</b>	0,22	(2+)	24,07	(13-)	9,4	(4+)
<b>EU 15</b>	0,44	+	34	(+)	4,0	(+)

\* State aid less agriculture, fisheries and railway transport as percentage of GDP

The figure in the parenthesis shows the relative rank of each Member State among the EU 15. The “+” sign indicates a positive evolution in the indicator whilst a “-” sign shows a negative evolution. Thus, a “+” sign in State aid as a percentage of GDP indicates a decrease whilst a “+” sign in Trade openness and FDI indicates an increase.

## **Technical annex**

All State aid data refer to the implementation of Commission decisions and not cases that are still under examination, which once decided upon, may have an effect on historical data. State aid expenditure is attributed to the year it was made. In cases that result in expenditure over a number of years, the total amount is attributed to each of the years in which expenditure took place.

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### Graph 1

**Source:** DG Competition database on State aid expenditure in the Member States. Gross Domestic Product at market prices taken from the Eurostat database Newcronos.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total State aid	100.555	95.479	101.321	109.466	105.085	105.066	103.757	98.133	91.863	79.660
Agriculture and Fisheries	14.156	14.988	14.709	13.839	13.163	15.467	15.489	15.488	13.328	13.972
Railways	31.342	30.291	30.248	33.981	34.984	35.752	33.868	31.333	32.018	31.263
Manufacturing, Coal and Services	55.057	50.200	56.364	61.646	56.937	53.847	54.399	51.313	46.517	34.424

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP	5.815.768	6.004.973	5.939.115	6.375.439	6.613.255	6.990.420	7.121.262	7.383.993	7.610.830	7.817.449

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### Graph 2

**Source:** DG Competition database on State aid expenditure in the Member States. Gross Domestic Product at market prices taken from the Eurostat database Newcronos.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:****Overall state aid**

		1997	1998	1999		1997	1998	1999
<b>A</b>	Total state aid	2.304	2.175	2.061	<b>IRL</b>	722	1.133	1.339
	Agriculture and Fisheries	1.077	996	905		93	92	354
	Railways	649	657	646		142	137	131
	Manufacturing, Coal and Services	578	522	511		488	904	854
<b>B</b>	Total state aid	3.122	3.117	3.217	<b>I</b>	16.580	13.700	10.537
	Agriculture and Fisheries	259	217	278		1.752	1.706	1.675
	Railways	2.110	2.093	2.085		5.169	5.035	4.962
	Manufacturing, Coal and Services	752	807	854		9.659	6.959	3.900
<b>DK</b>	Total state aid	1.531	1.536	1.975	<b>L</b>	162	245	246
	Agriculture and Fisheries	261	236	248		35	30	29
	Railways	445	362	735		77	163	177
	Manufacturing, Coal and Services	825	938	992		49	52	40
<b>D</b>	Total state aid	29.089	27.503	23.555	<b>NL</b>	2.935	3.054	3.489
	Agriculture and Fisheries	1.839	1.612	1.598		1.531	864	1.121
	Railways	10.139	10.262	9.520		772	1.599	1.764
	Manufacturing, Coal and Services	17.112	15.629	12.436		632	592	604
<b>H</b>	Total state aid	1.608	1.210	1.096	<b>P</b>	2.054	1.331	1.219
	Agriculture and Fisheries	181	187	165		318	305	287
	Railways	337	478	515		21	20	96
	Manufacturing, Coal and Services	1.090	544	416		1.716	1.006	836
<b>E</b>	Total state aid	6.307	6.219	5.734	<b>S</b>	1.739	1.899	1.739
	Agriculture and Fisheries	1.172	1.151	1.367		321	344	363
	Railways	1.577	1.424	1.349		905	996	818
	Manufacturing, Coal and Services	3.557	3.644	3.017		512	559	559
<b>FIN</b>	Total state aid	2.074	2.060	1.848	<b>UK</b>	8.291	8.121	6.294
	Agriculture and Fisheries	1.521	1.530	1.358		1.758	1.265	1.123
	Railways	44	41	39		2.867	2.755	2.361
	Manufacturing, Coal and Services	509	489	451		3.665	4.101	2.810
<b>F</b>	Total state aid	19.617	18.559	15.311	<b>EU</b>	98.133	91.863	79.660
	Agriculture and Fisheries	3.369	2.793	3.102		15.488	13.328	13.972
	Railways	6.079	5.996	6.065		31.333	32.018	31.263
	Manufacturing, Coal and Services	10.168	9.770	6.144		51.313	46.517	34.424

**GDP data**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>A</b>						177.523	181.040	183.183	188.452	192.378
<b>B</b>	188.426	192.453	195.883	196.851	202.617	208.403	210.453	217.870	223.749	229.432
<b>DK</b>	125.717	126.725	121.164	125.907	133.841	143.129	146.738	151.336	155.190	157.790
<b>D</b>	1.514.586	1.700.379	1.728.733	1.731.349	1.776.767	1.843.146	1.857.238	1.883.194	1.921.864	1.951.751
<b>EL</b>	90.998	92.784	87.963	94.128	95.189	99.337	101.680	105.249	108.464	112.108
<b>E</b>	435.363	444.973	437.911	444.705	465.343	471.469	482.968	501.967	523.647	544.715
<b>FIN</b>						99.078	103.053	109.539	115.532	120.177
<b>F</b>	1.136.071	1.148.171	1.132.968	1.145.880	1.173.978	1.217.693	1.231.090	1.254.607	1.293.104	1.330.890
<b>IRL</b>	45.073	46.006	45.407	49.893	53.954	59.519	64.098	70.979	77.052	84.627
<b>I</b>	949.534	961.205	938.191	959.746	980.375	1.017.939	1.029.099	1.047.752	1.063.825	1.078.948
<b>L</b>	11.611	12.150	12.456	13.096	14.125	14.141	14.549	15.606	16.389	17.618
<b>NL</b>	273.336	279.615	274.009	285.740	293.774	315.784	325.377	337.875	351.620	365.215
<b>P</b>	77.999	79.772	80.732	82.839	84.535	89.082	92.260	95.693	99.004	101.879
<b>S</b>						199.773	201.925	205.933	212.003	220.023
<b>UK</b>	1.054.774	1.031.437	1.021.678	1.058.651	1.103.984	1.155.568	1.185.038	1.226.739	1.259.035	1.286.225
<b>EU</b>	5.815.768	6.004.973	5.939.115	6.375.439	6.613.255	6.990.420	7.121.262	7.383.993	7.610.830	7.817.449

### Graph 3

**Source:** State aid data are taken from the DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:** See table graph 1

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### Graph 4

**Source:** State aid data are taken from the DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Horizontal objectives	12.488	11.773	13.284	11.132	10.358	11.016	13.319	12.161	12.483	12.675
Other specific sectors	24.071	21.449	21.575	23.707	21.534	19.078	20.229	18.527	17.708	10.484
Regional aid	18.498	16.978	21.505	26.807	25.045	23.753	20.852	20.625	16.326	11.265
Total less Agriculture, Fisheries and Railways	55.057	50.200	56.364	61.646	56.937	53.847	54.399	51.313	46.517	34.424

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### Graph 5

**Source:** State aid data are taken from the DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Research and Development	2.889	3.187	3.636	3.248	3.496	3.672	4.152	4.068	3.750	3.897
Environment and Energy saving	768	1.019	1.345	1.038	1.184	1.343	1.222	1.226	1.363	1.418
SME	3.070	3.239	3.471	3.112	3.057	3.312	3.718	3.495	3.111	2.926
Other Objectives	5.358	3.887	4.232	3.152	1.830	1.080	899	744	1.156	983
Employment and Training	403	441	599	582	791	1.609	3.329	2.629	3.102	3.452
Total	12.488	11.773	13.284	11.132	10.358	11.016	13.319	12.161	12.483	12.675

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**Methodology used for graphs 6 to 11:**

The methodology used is the following: cases and decisions on all sectors have been examined except for agriculture, fisheries and coal. All final decisions, defined in the Procedural Council Regulation, 659/99 (OJ 83/1 of 27.03.1999), were taken into account except: 'appropriate measures', 'referral to the Court of Justice or the Council', 'linguistic revision' and 'corrigendum of a previous decision'. In order to soften peculiarities when calculating percentages of small samples a three-year period was chosen for the Member States.

Source: Reports on Competition policy 1997, 1998 and 1999.

**Ratio of non-notified cases to notified cases:**

Formula: (Non notified cases / all registered cases, except existing cases) \* 100 = X%

**Ratio of opening of formal investigation procedures to approval without opening of formal investigation procedures:**

Only final decisions that closed cases within the reported period were considered for the investigation indicator. The registration of the case or the decision to open the procedure for a registered case might have been taken prior to the indicated period.

For Luxembourg it has to be noted that the Commission only took three final decisions to close a formal procedure.

Formula: (positive closing of procedure + negative closing of procedure + conditional closing of procedure) / (closing of all procedures + approval without opening of procedure) \* 100 = X%

Final decisions to close the formal procedure after withdrawals by the Member State are not taken into account for this indicator.

**Ratio of negative decisions to positive decisions:**

In the case of Luxembourg the Commission only took three final decisions on aid measures.

Formula: (negative closing of procedure) / (closing of all procedures + approval without opening procedure) \* 100 = X %

Final decisions to close the formal procedure after withdrawals by the Member State are not taken into account for this indicator.



### Graph 6

**Source:** XXVIIth Report on Competition Policy 1997

XXVIIIth Report on Competition Policy 1998

XXIXth Report on Competition Policy 1999

**Remarks:** The 1999 data differ from the data published in the 1999 Competition Report because 5 notified cases registered in 1999 have later been split into 9 additional cases and 1 NN case registered in 1999 has later been split resulting in 1 additional NN case.

Data on existing cases are only given for information and are not taken into account for this graph.

**Data:**

	N (notified cases)	NN (non notified cases)	E (existing cases)	TOTAL	NN as % of total
1997	541	152	2	695	21,9
1998	378	107	5	490	21,8
1999	504	106	6	616	17,2

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### Graph 7

**Source:** XXVIIth Report on Competition Policy 1997

XXVIIIth Report on Competition Policy 1998

XXIXth Report on Competition Policy 1999

The breakdown by Member State has been taken from the Commission's notifications register.

**Remarks:** The 1999 data differ from the data published in the 1999 Competition Report because 5 N cases registered in 1999 have later been split into 9 additional cases and 1 NN case registered in 1999 has later been split resulting in 1 additional NN case.

Data on existing cases are only given for information and are not taken into account for this graph.

**Data:**

		N (notified cases)	NN (non notified cases)	E (existing cases)	NN as % of total
AU	1997	27	6	0	18,2
	1998	13	2	0	0,0
	1999	34	1	1	2,8
	Average	25	3	0	10,7
B	1997	27	3	0	10,0
	1998	22	2	1	0,0
	1999	22	6	2	20,0
	Average	24	4	1	12,9
DK	1997	20	1	0	4,8
	1998	9	4	0	30,8
	1999	14	0	0	0,0
	Average	14	2	0	10,4
D	1997	181	75	0	29,3
	1998	94	54	2	36,0
	1999	124	32	0	20,5
	Average	133	54	1	28,6
EL	1997	5	6	0	54,5
	1998	7	2	0	22,2
	1999	5	0	0	0,0
	Average	6	3	0	32,0
E	1997	53	10	1	15,6
	1998	46	8	0	14,8
	1999	89	22	0	19,8
	Average	63	13	0	17,5
FIN	1997	9	0	0	0,0
	1998	11	1	0	8,3
	1999	14	4	0	22,2
	Average	11	2	0	12,8
F	1997	27	6	0	18,2
	1998	25	4	0	13,8
	1999	30	7	0	18,9
	Average	27	6	0	17,2
IRL	1997	4	2	0	33,3
	1998	6	1	2	11,1
	1999	8	1	0	11,1
	Average	6	1	1	16,7
I	1997	91	21	0	18,8
	1998	59	18	0	23,4
	1999	79	20	3	19,6
	Average	76	20	1	20,3
L	1997	6	0	0	0,0
	1998	0	0	0	0,0
	1999	2	0	0	0,0
	Average	3	0	0	0,0
NL	1997	45	4	0	8,2
	1998	31	2	0	6,1
	1999	29	8	0	21,6
	Average	35	5	0	11,8
P	1997	19	3	0	13,6
	1998	22	3	0	12,0
	1999	9	3	0	25,0
	Average	17	3	0	15,3
S	1997	13	2	0	13,3
	1998	11	0	0	0,0
	1999	12	1	0	7,7
	Average	12	1	0	7,7
UK	1997	15	13	1	44,8
	1998	22	6	0	21,4
	1999	33	1	0	2,9
	Average	23	7	0	22,0
EU	1997	541	152	2	21,9
	1998	378	107	5	21,8
	1999	504	106	6	17,2
	Average	474	122	4	20,3

### Graph 8

**Sources:** XXVIIth Report on Competition Policy 1997  
 XXVIIIth Report on Competition Policy 1998  
 XXIXth Report on Competition Policy 1999

**Remarks:** The following decision types, defined in the Procedural Regulation, 659/99 (OJ 83/1 of 27.03.1999) have not been taken into account for this table:

- Injunction decisions
- Decisions to open proceedings
- Decisions to close proceedings because of withdrawal
- Appropriate measures to modify existing aid measures
- Referral to the Court of Justice or Council.

**Data:**

	Approval without objections	Closing of proceedings with a:			Total number of decisions	Closing decisions as % of total	Negative decisions as % of total
		Positive decision	Conditional decision	Negative decision			
1997	407	19	6	10	442	7,9	2,3
1998	334	17	8	35	394	15,2	8,9
1999	290	30	3	31	354	18,1	8,8

### Graph 9

**Source:** XXVIIth Report on Competition Policy 1997  
 XXVIIIth Report on Competition Policy 1998  
 XXIXth Report on Competition Policy 1999  
 The breakdown by Member State has been taken from the Commission's notifications register.

**Remarks:** The following decision types, according to the Procedural Regulation 659/99 (OJ 83/1 of 27.03.1999), have not been taken into account for this table:

- Injunction decisions
- Decisions to open proceedings
- Decisions to close proceedings because of withdrawal- Appropriate measures to modify existing aid measures
- Referral to the Court of Justice or Council

**Data:**

		Approval without objections	Closing of proceedings with a:			Closing decisions as % of total	Negative decisions as % of total
			Positive decision	Conditional decision	Negative decision		
A U	1997	28	0	0	1	3,4	3,4
	1998	18	0	1	3	18,2	13,6
	1999	14	0	0	0	0,0	0,0
	Average	20,0	0,0	0,3	1,3	7,7	6,2
B	1997	12	0	0	0	0,0	0,0
	1998	20	0	0	1	4,8	4,8
	1999	11	1	0	0	8,3	0,0
	Average	14,3	0,3	0,0	0,3	4,4	2,2
D K	1997	18	0	0	1	5,3	5,3
	1998	10	0	0	0	0,0	0,0
	1999	6	0	0	0	0,0	0,0
	Average	11,3	0,0	0,0	0,3	2,9	2,9
D	1997	144	5	2	4	7,1	2,6
	1998	92	8	1	15	20,7	12,9
	1999	62	13	1	14	31,1	15,6
	Average	99,3	8,7	1,3	11,0	17,5	9,1
E L	1997	4	1	0	0	20,0	0,0
	1998	8	1	0	1	20,0	10,0
	1999	5	1	0	2	37,5	25,0
	Average	5,7	1,0	0,0	1,0	26,1	13,0
E	1997	39	4	0	1	11,4	2,3
	1998	29	1	0	5	17,1	14,3
	1999	65	2	0	3	7,1	4,3
	Average	44,3	2,3	0,0	3,0	10,7	6,0
F I N	1997	8	0	0	0	0,0	0,0
	1998	7	0	0	0	0,0	0,0
	1999	7	1	0	0	12,5	0,0
	Average	7,3	0,3	0,0	0,0	4,3	0,0
F	1997	27	2	2	1	15,6	3,1
	1998	17	2	2	2	26,1	8,7
	1999	13	2	0	3	27,8	16,7
	Average	19,0	2,0	1,3	2,0	21,9	8,2
I R L	1997	3	0	0	0	0,0	0,0
	1998	2	0	0	1	33,3	33,3
	1999	11	1	0	0	8,3	0,0
	Average	5,3	0,3	0,0	0,3	11,1	5,6
I	1997	47	5	2	2	16,1	3,6
	1998	49	2	4	5	18,3	8,3
	1999	50	7	1	8	24,2	12,1
	Average	48,7	4,7	2,3	5,0	19,8	8,2
L	1997	1	0	0	0	0,0	0,0
	1998	1	0	0	1	50,0	50,0
	1999	0	0	0	0	0,0	0,0
	Average	0,7	0,0	0,0	0,3	33,3	33,3
N L	1997	33	1	0	0	2,9	0,0
	1998	35	1	0	1	5,4	2,7
	1999	17	1	1	0	10,5	0,0
	Average	28,3	1,0	0,3	0,3	5,6	1,1
P	1997	14	1	0	0	6,7	0,0
	1998	14	1	0	0	6,7	0,0
	1999	7	0	0	0	0,0	0,0
	Average	11,7	0,7	0,0	0,0	5,4	0,0
S	1997	6	0	0	0	0,0	0,0
	1998	13	1	0	0	7,1	0,0
	1999	8	0	0	0	0,0	0,0
	Average	9,0	0,3	0,0	0,0	3,6	0,0
U K	1997	23	0	0	0	0,0	0,0
	1998	19	0	0	0	0,0	0,0
	1999	14	1	0	1	12,5	6,3
	Average	18,7	0,3	0,0	0,3	3,4	1,7
E U	1997	407	19	6	10	7,9	2,3
	1998	334	17	8	35	15,2	8,9
	1999	290	30	3	31	18,1	8,8
	Average	343,7	22,0	5,7	25,3	13,4	6,4

### Graph 10

**Source:** XXVIIth Report on Competition Policy 1997  
XXVIIIth Report on Competition Policy 1998  
XXIXth Report on Competition Policy 1999

**Remarks:** The following decision types, according to the Procedural Regulation, have not been taken into account for this table:

- Injunction decisions- Decisions to open proceedings
- Decisions to close proceedings because of withdrawal
- Appropriate measures to modify existing aid measures
- Referral to the Court of Justice or Council

**Data:** See data graph 8

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### Graph 11

**Source:** XXVIIth Report on Competition Policy 1997  
XXVIIIth Report on Competition Policy 1998  
XXIXth Report on Competition Policy 1999

The breakdown by Member State has been taken from the Commission's notifications register.

**Remarks:** The following decision types, according to the Procedural Regulation, have not been taken into account for this table:

- Injunction decisions
- Decisions to open proceedings
- Decisions to close proceedings because of withdrawal
- Appropriate measures to modify existing aid measures
- Referral to the Court of Justice or Council

**Data:** See data graph 9

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### Table 1

**Source:** DG Competition and DG Transport and Energy

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Manufacturing and services</b>	5	4	5	3	1	6	13	10	26	24
<b>Transport</b>	0	0	0	1	1	2	1	2	1	0
<b>Total</b>	5	4	5	4	2	8	14	12	27	24

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**Table 2**

**Source:** DG Competition and DG Transport and Energy

**Data:**

<b>In process of execution</b>	<b>Forming part of bankruptcy procedures</b>	<b>Currently object of National court procedures</b>	<b>Currently object of European court procedures</b>	<b>Total number pending</b>
31	11	5	20	67

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**Graph 12**

**Source:** DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

		1997	1998	1999		1997	1998	1999
<b>A</b>	R&D	177	155	146	<b>IRL</b>	14	10	13
	Environmental protection	50	55	55		0	0	0
	SME	88	62	53		5	3	4
	Energy saving	4	1	2		3	2	5
	Total of the above	318	274	255		21	16	22
	Total aid less agriculture, fisheries and railways	578	522	511		488	904	854
<b>B</b>	R&D	129	99	148	<b>I</b>	340	186	306
	Environmental protection	2	10	5		11	21	15
	SME	110	127	213		820	599	647
	Energy saving	1	1	0		45	15	21
	Total of the above	240	236	366		1.216	822	988
	Total aid less agriculture, fisheries and railways	752	807	854		9.659	6.959	3.900
<b>DK</b>	R&D	163	166	157	<b>L</b>	3	4	6
	Environmental protection	223	259	248		2	2	2
	SME	24	7	8		8	11	11
	Energy saving	138	140	162		0	0	0
	Total of the above	549	571	575		13	17	19
	Total aid less agriculture, fisheries and railways	825	938	994		49	52	40
<b>D</b>	R&D	1.206	1.260	1.239	<b>NL</b>	141	152	149
	Environmental protection	129	142	114		80	93	74
	SME	1.415	1.328	1.061		21	20	24
	Energy saving	153	152	148		187	155	151
	Total of the above	2.902	2.881	2.563		430	420	398
	Total aid less agriculture, fisheries and railways	17.112	15.629	12.436		632	592	604
<b>EL</b>	R&D	0	0	0	<b>P</b>	13	12	12
	Environmental protection	0	0	2		0	0	0
	SME	0	23	17		10	26	32
	Energy saving	0	0	0		11	8	8
	Total of the above	0	24	19		33	46	52
	Total aid less agriculture, fisheries and railways	1.090	544	416		1.716	1.006	836
<b>E</b>	R&D	234	200	219	<b>S</b>	88	98	81
	Environmental protection	15	15	19		30	101	148
	SME	244	257	220		44	41	27
	Energy saving	23	25	27		26	23	39
	Total of the above	516	498	485		188	263	295
	Total aid less agriculture, fisheries and railways	3.557	3.644	3.017		512	559	559
<b>FIN</b>	R&D	152	157	166	<b>UK</b>	158	105	97
	Environmental protection	5	5	7		1	10	9
	SME	77	72	59		333	296	280
	Energy saving	10	54	57		24	22	22
	Total of the above	243	288	288		516	434	408
	Total aid less agriculture, fisheries and railways	509	489	451		3.665	4.101	2.810
<b>F</b>	R&D	1.251	1.145	1.159	<b>EU</b>	4.067	3.750	3.897
	Environmental protection	31	30	30		580	744	729
	SME	297	238	270		3.495	3.111	2.925
	Energy saving	21	21	48		646	619	689
	Total of the above	1.600	1.435	1.507		8.788	8.225	8.240
	Total aid less agriculture, fisheries and railways	10.168	9.770	6.144		51.313	46.517	34.427

### Graph 13

**Source:** State aid data have been taken from the DG Competition database on State aid expenditure in the Member States.

Regional GDP data have been taken from the Eurostat database Newcronos.

**Remarks:** Aid data are expressed in million Euro at constant 1998 values.

Regional GDP data have been selected at NUTS 3 level. GDP data for Italy are only available at NUTS 2 level.

**Data:**

Regional state aid

		1996	1997	1998
<b>A</b>	Aid under 87(3)a	31	30	31
	Aid under 87(3)c	93	134	141
	Total regional aid	124	163	172
<b>B</b>	Aid under 87(3)c	258	229	214
<b>DK</b>	Aid under 87(3)c	13	15	15
<b>D</b>	Aid under 87(3)a	8.868	7.165	6.339
	Aid under 87(3)c	742	727	768
	Total regional aid	9.609	7.891	7.107
<b>EL</b>	Aid under 87(3)a	601	677	447
<b>E</b>	Aid under 87(3)a	90	85	88
	Aid under 87(3)c	197	219	239
	Total regional aid	287	303	327
<b>FIN</b>	Aid under 87(3)c	67	63	68
<b>F</b>	Aid under 87(3)a	506	650	847
	Aid under 87(3)c	766	1.300	1.341
	Total regional aid	1.272	1.950	2.188
<b>IRL</b>	Aid under 87(3)a	206	197	175
<b>I</b>	Aid under 87(3)a	6.398	6.548	3.593
	Aid under 87(3)c	127	128	184
	Total regional aid	6.524	6.676	3.778
<b>L</b>	Aid under 87(3)c	31	35	32
<b>NL</b>	Aid under 87(3)c	82	77	71
<b>P</b>	Aid under 87(3)a	633	1.187	706
<b>S</b>	Aid under 87(3)c	208	185	177
<b>UK</b>	Aid under 87(3)a	210	256	253
	Aid under 87(3)c	725	719	595
	Total regional aid	935	976	849
<b>EU</b>	Aid under 87(3)a	17.543	16.794	12.480
	Aid under 87(3)c	3.309	3.832	3.845
	Total regional aid	20.851	20.625	16.325



## GDP data

	1996	1997	1998		1996	1997	1998
<b>A</b>				<b>IRL</b>			
total GDP	182363	181819	188723	total GDP	57514	70581	77052
of which				of which			
total GDP of assisted regions	50755	50832	53119	total GDP of assisted regions	57514	70581	77052
Totally assisted regions under Art. 87.3.a	3907	3879	3995	Totally assisted regions under Art. 87.3.a	11516	13680	14934
Totally assisted regions under Art. 87.3.c	13994	14113	14878	Totally assisted regions under Art. 87.3.c	45998	56901	62118
Partially assisted regions under Art. 87.3.c	32855	32840	34247	Partially assisted regions under Art. 87.3.c	0	0	0
Non assisted regions	131608	130987	135604	Non assisted regions	0	0	0
<b>B</b>				<b>I</b>			
total GDP	211910	215305	223569	total GDP	971065	1028273	1063828
of which				of which			
total GDP of assisted regions	137087	138923	144255	total GDP of assisted regions	950092	1006357	1040762
Totally assisted regions under Art. 87.3.a	0	0	0	Totally assisted regions under Art. 87.3.a	209537	223789	231255
Totally assisted regions under Art. 87.3.c	1283	1301	1351	Totally assisted regions under Art. 87.3.c	0	0	0
Partially assisted regions under Art. 87.3.c	135804	137622	142904	Partially assisted regions under Art. 87.3.c	740555	782569	809508
Non assisted regions	74823	76382	79314	Non assisted regions	20973	21916	23065
<b>DK</b>				<b>L</b>			
total GDP	144155	148586	155191	total GDP	14339	15409	16389
of which				of which			
total GDP of assisted regions	57681	59352	61801	total GDP of assisted regions	14339	15409	16389
Totally assisted regions under Art. 87.3.a	0	0	0	Totally assisted regions under Art. 87.3.a	0	0	0
Totally assisted regions under Art. 87.3.c	11986	12214	12732	Totally assisted regions under Art. 87.3.c	0	0	0
Partially assisted regions under Art. 87.3.c	45695	47138	49069	Partially assisted regions under Art. 87.3.c	14339	15409	16389
Non assisted regions	86474	89234	93390	Non assisted regions	0	0	0
<b>D</b>				<b>NL</b>			
total GDP	1878200	1866496	1921866	total GDP	324479	332654	351621
of which				of which			
total GDP of assisted regions	512915	505883	515934	total GDP of assisted regions	69381	70610	73148
Totally assisted regions under Art. 87.3.a	214792	211985	214826	Totally assisted regions under Art. 87.3.a	0	0	0
Totally assisted regions under Art. 87.3.c	298123	293898	301108	Totally assisted regions under Art. 87.3.c	11029	11180	11740
Partially assisted regions under Art. 87.3.c	0	0	0	Partially assisted regions under Art. 87.3.c	58352	59430	61408
Non assisted regions	1365289	1360615	1405935	Non assisted regions	255095	262046	278469
<b>EL</b>				<b>P</b>			
total GDP	97972	107009	108464	total GDP	88828	93568	99124
of which				of which			
total GDP of assisted regions	97973	107010	108465	total GDP of assisted regions	88828	93568	99125
Totally assisted regions under Art. 87.3.a	97973	107010	108465	Totally assisted regions under Art. 87.3.a	51557	54252	57473
Totally assisted regions under Art. 87.3.c	0	0	0	Totally assisted regions under Art. 87.3.c	37271	39317	41651
Partially assisted regions under Art. 87.3.c	0	0	0	Partially assisted regions under Art. 87.3.c	0	0	0
Non assisted regions	0	0	0	Non assisted regions	0	0	0

E				S			
total GDP	480535,6	494672,1	523646,3	total GDP	206273	210815	213702
of which				of which			
total GDP of assisted regions	480536	494672	523647	total GDP of assisted regions	90578	89775	90042
Totally assisted regions under Art. 87.3.a	232492	237943	250908	Totally assisted regions under Art. 87.3.a	0	0	0
Totally assisted regions under Art. 87.3.c	40382	41691	44761	Totally assisted regions under Art. 87.3.c	20490	20977	21029
Partially assisted regions under Art. 87.3.c	207662	215038	227977	Partially assisted regions under Art. 87.3.c	70088	68799	69013
Non assisted regions	0	0	0	Non assisted regions	115695	121040	123660
FIN				UK			
total GDP	100523	108072	115257	total GDP	929049	1163365	1259035
of which				of which			
total GDP of assisted regions	100523	108072	115256	total GDP of assisted regions	447544	554555	595596
Totally assisted regions under Art. 87.3.a	10294	10946	11485	Totally assisted regions under Art. 87.3.a	57735	71435	76434
Totally assisted regions under Art. 87.3.c	6946	7436	7766	Totally assisted regions under Art. 87.3.c	21164	26639	28223
Partially assisted regions under Art. 87.3.c	83284	89690	96005	Partially assisted regions under Art. 87.3.c	368645	456482	490939
Non assisted regions	0	0	0	Non assisted regions	481506	608810	663440
F				EU			
total GDP	1224606,3	1241129,2	1293104	total GDP	6911813	7277758	7610570
of which				of which			
total GDP of assisted regions	737398	749570	783455	total GDP of assisted regions	3893143	4115169	4298046
Totally assisted regions under Art. 87.3.a	18120	18306	19137	Totally assisted regions under Art. 87.3.a	907922	953224	988912
Totally assisted regions under Art. 87.3.c	75457	76892	80505	Totally assisted regions under Art. 87.3.c	584122	602558	627862
Partially assisted regions under Art. 87.3.c	643820	654372	683814	Partially assisted regions under Art. 87.3.c	2401099	2559387	2681273
Non assisted regions	487208	491560	509649	Non assisted regions	3018670	3162590	3312524

**Graph 14**

**Source:** DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	5.423	1.800	1.875	4.051	4.618	4.529	3.002	2.231	2.195	1.478
Services	1.379	3.639	1.596	2.109	3.974	4.553	7.650	6.066	6.921	2.355
Coal mining	17.065	14.925	16.620	15.116	11.190	8.772	7.777	7.924	8.262	6.546
Total sectorial aid	23.867	20.364	20.090	21.275	19.783	17.854	18.430	16.221	17.378	10.378
Total aid less agriculture, fisheries and railways	55.057	50.200	56.364	61.646	56.937	53.847	54.399	51.313	46.517	34.424

### Graph 15

**Source:** DG Competition database on State aid expenditure in the Member States.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	250	1.348	1.902	2.620	1.843	1.224	1.799	2.301	330	107
Steel	2.573	13	555	1.060	1.722	94	338	208	3	0
Shipbuilding	0	47	252	674	1.302	360	1.192	635	1.078	303
Airline services	0	1.991	0	113	2.447	2.390	1.404	1.238	42	0
Financial services	0	0	0	806	514	1.002	4.879	3.246	5.150	939
Total Rescue and Restructuring aid	2.823	3.400	2.709	5.273	7.828	5.070	9.613	7.628	6.604	1.349
Total aid less agriculture, fisheries and railways	55.057	50.200	56.364	61.646	56.937	53.847	54.399	51.313	46.517	34.424

### Graph 16

**Source:** State aid data, excluding aid to agriculture, fisheries and railway transport, taken from DG Competition database on State aid expenditure in the Member States.

Gross Domestic Product at market price taken from the Eurostat database Newcronos.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:**

Total state aid less agriculture, fisheries and railway transport.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>A</b>	-	-	-	-	-	510	515	578	522	511
<b>B</b>	2.601	3.936	1.508	1.602	1.071	1.009	1.079	752	807	854
<b>DK</b>	432	409	441	691	770	734	846	825	938	992
<b>D</b>	17.460	19.391	25.730	30.835	28.838	20.666	19.031	17.112	15.629	12.436
<b>EL</b>	1.520	1.203	1.279	789	907	1.173	1.021	1.090	544	416
<b>E</b>	2.208	1.924	2.388	2.577	2.343	4.201	3.544	3.557	3.644	3.017
<b>FIN</b>	-	-	-	-	-	480	398	509	489	451
<b>F</b>	9.342	7.813	9.538	9.391	7.563	5.945	9.075	10.168	9.770	6.144
<b>IRL</b>	397	263	277	421	349	387	447	488	904	854
<b>I</b>	16.115	11.281	11.674	12.946	10.765	12.659	11.657	9.659	6.959	3.900
<b>L</b>	62	76	78	48	47	48	47	49	52	40
<b>NL</b>	681	687	668	507	549	588	678	632	592	604
<b>P</b>	1.094	466	585	680	1.182	872	1.258	1.716	1.006	836
<b>S</b>	-	-	-	-	-	698	693	512	559	559
<b>UK</b>	3.145	2.751	2.198	1.160	2.553	3.877	4.111	3.665	4.101	2.810
<b>EU</b>	55.057	50.200	56.364	61.646	56.937	53.847	54.399	51.313	46.517	34.424

GDP data: See table graph 2.

### Graph 17

**Source:** State aid data are taken from the DG Competition database on state aid expenditure in the Member States.

General Government Expenditure, according to Commission Regulation (EC) No 1500/2000 with respect to general government expenditure and revenue (OJ L 172 of 10 July 2000), data are taken from the AMECO database of DG Economic and Financial Affairs.

**Remarks:** All data are expressed in million Euro at constant 1998 values.

**Data:** Total state aid less aid to agriculture, fisheries and railway transport, see data graph 16.

#### General government expenditure

	1997	1998	1999
<b>A</b>	98.300	102.311	104.105
<b>B</b>	112.680	113.801	115.741
<b>DK</b>	87.985	88.684	88.305
<b>D</b>	927.396	934.240	948.899
<b>EL</b>	47.041	48.327	50.647
<b>E</b>	212.040	218.655	221.588
<b>FIN</b>	62.266	61.522	62.401
<b>F</b>	689.612	698.613	717.175
<b>IRL</b>	26.829	27.432	30.284
<b>I</b>	536.104	528.576	530.776
<b>L</b>	6.760	7.070	7.529
<b>NL</b>	162.958	165.692	169.871
<b>P</b>	42.613	43.768	46.363
<b>S</b>	131.457	130.762	135.890
<b>UK</b>	515.704	512.962	513.473
<b>EU</b>	3.665.214	3.691.825	3.741.739

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### Graph 18

**Source:** Overall total and total manufacturing state aid data have been taken from the DG Competition database on state aid expenditure. For Austria, Finland and Sweden Graph 19 only compares the period 1995 - 1999 data.

The gross value added at basic prices - total industry (excluding construction) - as percentage of GDP has been taken from the Eurostat database Newcronos. Missing Newcronos data have been completed with indicators used in the DG Competition database on state aid expenditure. For Austria, Finland and Sweden Graph 20 only compares the period 1995 - 1999 data.

**Remarks:** Aid data are expressed in million Euro at constant 1998 values.

**Data:**

		1990	1995	1999			1990	1995	1999
AU	Total aid		510	511	IRL	Total aid	397		854
	Manufacturing aid		441	446		Manufacturing aid	334		526
B	Total aid	2.601		854	I	Total aid	16.115		3.900
	Manufacturing aid	1.243		705		Manufacturing aid	15.665		3.252
DK	Total aid	432		992	L	Total aid	62		40
	Manufacturing aid	358		634		Manufacturing aid	62		36
D	Total aid	17.460		12.436	NL	Total aid	681		604
	Manufacturing aid	6.089		7.537		Manufacturing aid	681		555
EL	Total aid	1.520		416	P	Total aid	1.094		836
	Manufacturing aid	1.518		409		Manufacturing aid	853		180
E	Total aid	2.208		3.017	S	Total aid		698	559
	Manufacturing aid	1.279		1.120		Manufacturing aid		360	442
FIN	Total aid		480	451	UK	Total aid	3.145		2.810
	Manufacturing aid		402	402		Manufacturing aid	2.687		1.239
F	Total aid	9.342		6.144	EU	Total aid	55.057		34.424
	Manufacturing aid	5.415		4.109		Manufacturing aid	36.184		21.592

**Value added Industry as % of GDP**

	1990	1995	1999
A		21,8	21,4
B	24,4		20,1
DK	18,3		17,7
D	29,9		23,0
EL	22,4		11,0
E	24,1		20,0
FIN		25,2	23,6
F	21,2		18,9
IRL	27,0		26,7
I	25,0		21,6
L	19,9		12,9
NL	23,8		18,6
P	22,0		19,6
S		23,4	21,8
UK	25,1		20,6
EU	23,6		21,0

**Table 3**

**Source:** DG Competition database on State aid expenditure in the Member States.  
Data on Inward FDI and Trade openness from DG MARKT.

Gross Domestic Product at market price taken from the Eurostat database  
Newcronos.

**Remarks:** GDP data see table graph 2. State aid data see table graph 16.