

The information provided in the surveys on state aids also indicates that the significance of industrial subsidization varies greatly among the individual Member States. Between 1986 and 1988, Italy, among the four largest Member States, had the highest rate of subsidization, 6.7 percent of total manufacturing value-added. In contrast, the rates of manufacturing aid in Germany, France and the U.K. were 2.7 percent, 3.7 percent and 2.7 percent, respectively.<sup>48</sup>

The surveys on state aids also highlighted the importance of the different objectives that have been used by the EC Member States to justify intervention. Objectives that have been used to justify substantial amounts of state aid include the promotion of exports to non-EC countries, increased R&D or innovation, and the provision of assistance to small or medium-sized enterprises. In addition, the surveys indicated that a large amount of state aid to manufacturing has been provided to crisis sectors or regions. Much of this aid has been granted to the steel and shipbuilding industries which have formal aid frameworks. The remainder has been spread among other manufacturing industries and Member State regional aid programs.

The findings of the first and second Survey on State Aids raise important concerns for Canada. The high level of the aid being granted suggests that it may be having a negative effect on the ability of many Canadian companies to compete effectively not only in EC markets, but also in Canadian and other countries' markets. Also, the surveys underscore the continuing willingness of EC Member States to intervene to protect their domestic industries for a wide range of economic and social policy objectives. Strong attempts by EC competition authorities to roll back state aids are, therefore, likely to encounter stiff opposition from the Member States.<sup>49</sup>