

Member States might be allowed to provide high intensity capital grants, and certain other aids to help overcome developmental disparities.⁶⁷ In 1985, the Commission established the Community Guidelines on State Aids for Research and Development which were designed to create greater transparency and certainty regarding EC policy on these aids.⁶⁸ In addition, measures adopted by the EC Commission during 1989, including the extension of the framework for aid to the man-made fibres industry, and the reduction in the amount of authorized aid under the framework for aid for shipbuilding, have been offered as further evidence of the EC Commission's determination to limit anti-competitive state aids.⁶⁹

3. The Implications for Canada of the EC Efforts to Strengthen the Controls on State Aids

The establishment of strict control over the granting of industrial aids by EC Member States is recognized by the EC Commission as being highly important for the completion of the common market by 1992. Without such controls, other measures to remove barriers to intra-EC trade might often be thwarted by the use of industrial aids by Member States to prop up inefficient businesses, protect targeted industries from competitive forces, or achieve other social or industrial policy goals. The developments outlined above reflect a strong commitment by EC competition authorities to deal with this threat by forcing countries to ensure that existing as well as new aid schemes are consistent with the EEC Treaty.

The potential effects of these developments on the overall level of subsidization in the EC, however, should not be overestimated. There continues to be strong resistance among some Member States against further controls on their granting of industrial aid, for example, to public companies. In addition, even if stricter controls on state aids are established, the Member States will still be able to operate state aid schemes relating to regional disparity, research and development, social policy and other objectives that are permitted under the EEC Treaty.

The possibility also exists that stricter controls on the granting of state aid will be accompanied by greater industrial subsidization under Community-run programmes. This may occur as responsibility for European technology, industrial