

IV. EC COMPETITION POLICY ON STATE AIDS AND EUROPE 1992

As noted, stricter control of state aids is accepted within the EC as necessary for the completion of the internal market by 1992. Yet, at the outset of the current initiative to complete the internal market, little was known of the extent and nature of such aids. The completion in 1988 of the First Survey on State Aids, and the updating of the Survey in July 1990, have helped to provide a much clearer picture of the aid situation in the EC.⁴⁶ The findings of these surveys have also provided guidance for a number of changes in the treatment of state aids by EC competition authorities. This section examines these and other recent developments relating to the EC competition policy treatment of state aids and their potential implications for Canadian businesses and public policy.

1. The Nature and Extent of State Aids in the E C

The first and second Survey on State Aids have shown EC Member State subsidization of industries to be running at a high level. The amount of Member State aid granted between 1986 and 1988 averaged over 82 billion ECU (about \$130 billion Cdn.) per year. State aid granted to the manufacturing sector during this period amounted to 4 percent of the sector's total value added, or about 1500 ECU (\$2400 Cdn.) for every worker in the sector. In addition, large amounts of state aid were granted in the agriculture, fisheries, transportation and energy sectors.

The first and second state aids surveys also revealed some significant trends in the level of state aid in the Community. The first survey indicated that a substantial increase of state aid to the manufacturing sector, excluding shipbuilding and steel which are subject to Community-wide regulations, took place between 1981 and 1986. This was to some extent expected because of the economic difficulties encountered by the Community during the early 1980's. The second survey, however, found the high level of subsidization established in the early 1980's to be persistent. As a consequence, the level of state aid granted during 1988 remained well above the level provided during 1981.⁴⁷