

2. EC Competition Policy on State Aids

The competitive rules applying to the granting of industrial and other aids by the EC Member States are also seen in the Community as having an important relationship to the Europe 1992 initiative. Article 92(1) of the EEC Treaty generally prohibits the granting of state aid, in any form, that "distorts or threatens to distort competition." Specific exemptions are permitted, however, under Articles 92(2) and 92(3) of the EEC Treaty. These provisions list aid presumed to be compatible with the common market, including, for example, aid of a "social character" granted to individuals, assistance to economically depressed regions, and aid to promote the execution of an important project of common European interest.

Measures for dealing with state aids are set forth in Article 93 of the EEC Treaty. This Article places an onus on the Member States to prenotify the EC Commission of proposed aid programmes or changes to existing aid programmes. If the Commission finds that a proposed aid is incompatible with the common market, it can order that the aid be modified before it goes into effect or be abandoned. If a scheme that is incompatible with the common market has already been put into effect, the Commission can order the relevant Member States to recover any related aid that has been granted.

Strict control of state aids under Articles 92 and 93 is recognized in the Community as highly important for the completion of the common market. In this regard, the 1985 Commission White Paper on Completing the Internal Market stated:

.... it will be particularly important that the Community discipline on state aids be rigourously enforced ... (state aids) ... not only distort competition but also ... threaten to defeat efforts to build the internal market.⁵

Toward the goal of establishing greater discipline on state aids in the run-up to 1992, the White Paper timetable for finalization of the internal market included a proposal to create an inventory of state aids and a report setting out its policy implications.