To help reduce the threat to the internal market engendered by the granting of aid to state-owned enterprises, the EC Commission has expressed the intention to develop guidelines on the granting of this aid. It is intended that these guidelines will deal, in particular, with assistance provided to public companies through:

i) implicit loan or other guarantees;
ii) acceptance of low rates of return; and
iii) foregone dividends.[61]

The detection of such subsidies will require close scrutiny of the financial situation of public companies' investment plans and future prospects. Accordingly, the Commission recently put forward a proposal for strengthening the annual reporting obligations on financial relations between the Member States and state-owned companies. The proposed reporting rules would apply to manufacturing companies with annual turnover of more than 200 million ECU.[62]

The success of EC competition authorities in controlling state aid to public companies will be an important test for the Community's competition policy. While it may not be an express intention of the EC Commission to limit the right of the Member States to hold capital in companies, it is apparent that strict Community controls on the relations between governments and state-owned enterprises could severely restrict the ability of governments to use these enterprises as instruments of industrial and social policy. Rather, effective controls on state aids to these enterprises would essentially require that state-owned companies operate as though they were private companies. This prospect could meet with stiff resistance from countries, such as France, Spain and Italy, that have a high degree of state ownership in their economies.[63]

2.4 Other State Aids Initiatives

EC competition authorities are also taking initiatives on a number of other fronts for the purpose of reducing the use of anti-competitive state aids. Another area in which stricter adherence to Articles 92 and 93 of the EEC Treaty is being sought is the requirement, under these provisions, to notify the EC Commission of