

The Framework on State Aid to the Motor Vehicle Industry also sets forth criteria to be used by the EC Commission for assessing the compatibility of this aid with the EEC Treaty. These criteria reflect a negative view of aids granted for such reasons as the rescuing or restructuring of companies, or the modernization or rationalization of facilities. The framework suggests that such aid is likely to be permitted only in a narrow range of circumstances. Furthermore, in cases where this aid is permitted, it is likely to be subject to conditions pertaining to the restructuring or removal of existing capacity. A similarly negative view is adopted in the Framework with respect to the granting of environmental and energy related aid, as well as operating aid.

It should be noted, however, that a relatively permissive approach is adopted under the Framework with respect to regional aid, as well as research and development aid to the motor vehicle industry. The Framework accepts that motor vehicle aid can be an effective instrument for relieving regional disparities within the EC. It also indicates that the Commission, in keeping with its 1986 Framework on State Aid for R&D, will maintain a positive attitude towards aid for pre-competitive R&D (i.e. basic research).⁵⁶

A strong commitment on the part of EC competition authorities to the establishment of stricter controls over certain state aid to the motor vehicle industry is also reflected in a number of recent findings under Articles 92 and 93 of the EEC Treaty. In one instance, the Commission succeeded, in spite of strong resistance from the government of France, in forcing Renault to pay back 6 bil. French Francs in aid provided to the car group.⁵⁷ The basis for the repayment was the finding by the Commission that Renault had not lived up to a capacity reduction commitment that it had made in order to gain approval for the aid.

In another recent case, the Commission concluded that £44.4 mil. of aid, that was provided to British Aerospace in July 1988 in connection with its purchase of the Rover Group, was granted illegally by the U.K government.⁵⁸ This aid consisted of concessions provided to British Aerospace that were in addition to ones permitted by the Commission in its original 1988 decision on the acquisition. The