

European industrial policy as a non-tariff barrier

Gilberto Sarfati

European Integration online Papers (EIoP) Vol. 2 (1998) N° 2;
<http://eiop.or.at/eiop/texte/1998-002.htm>

Date of publication in the : 13.5.1998

| [Full text](#) | [Back to homepage](#) |

Keywords

industrial policy, non-tariff barriers, Single Market, protectionism, trade, economic integration, economics

Abstract

This article explores the contradictions between the EU and EU national states industrial policies and the Single Market program of elimination of NTBs (non-tariff barriers). The scope of NTBs connected to European industrial policy is divided into two spheres: the first are barriers on the level of Member States and the second are barriers on the EU level. On the national level, after the 1992 programme, the EU Member States continued to adopt many technical national regulations. On the EU level measures such as new standards, environment and anti-dumping rules, as well as Community expenditures in the different funds constitute new NTBs. Moreover, external competitors have to face other NTBs, such as VERs (Voluntary export restrictions), biased rules on public procurement, ecolabeling, and limitations on ownership, among other barriers. In this essay I demonstrate that the EU and the European national states run an active, unofficial industrial policy that distort the internal and external competition. The paper concludes that the EU industrial policy is not harmonized with the Single Market.

Kurzfassung

Dieser Artikel untersucht die Widersprüche zwischen den Industriepolitiken der EU und deren Mitgliedstaaten und dem Programm zur Abschaffung von nicht-tarifären Handelshemmnissen (NTHs) im Binnenmarktporgramm. NTHs in Verbindung mit der europäischen Industriepolitik fallen in zwei Bereiche: erstens Hindernisse auf Ebene der Mitgliedstaaten, zweitens solche auf EU-Ebene. Die EU-Mitgliedstaaten haben auch nach dem Binnenmarktprogramm von 1992 weiterhin viele technische Rechtsakte verabschiedet. Auf EU-Ebene stellen verschiedene Maßnahmen wie neue Standards, Umwelt- und Antidumpingregeln, wie auch die Gemeinschaftsausgaben der verschiedenen Fonds neue NTHs dar. Darüber hinaus sehen sich Drittstaats-Wettbewerber anderen NTHs gegenüber, wie z.B. VERs (Voluntary export restrictions), diskriminierenden Regeln der öffentlichen Auftragsvergabe, Umweltkennzeichnung, sowie unter anderem Einschränkungen bei Eigentumsrechten. In diesem Beitrag zeige ich, daß die EU und deren Mitgliedstaaten eine aktive, nicht-offizielle Industriepolitik betreiben, die sowohl den internen wie auch den externen Wettbewerb verzerren. Das Papier schließt mit der Feststellung, daß die EU-Industriepolitik im Binnenmarkt nicht harmonisiert ist.

The authors

Gilberto Sarfati, B.A., is a M.A. student at the International Relations Dept. of the Hebrew University of Jerusalem; email: mssarfat@mcc.huji.ac.il; homepage: <http://www.geocities.com/athens/forum/8502>.

European industrial policy as a non-tariff barrier

Gilberto Sarfati

European Integration online Papers (EIoP) Vol. 2 (1998) N° 2;
http://eiop.or.at/eiop/texte/1998-002.htm

Date of Publication in : 13.5.1998

| [Abstract](#) | [Back to homepage](#) |

Contents:

- [1. Introduction](#)
- [2. Defining NTBs and industrial policy](#)
 - [2.1. Defining non-tariff barriers \(NTBs\)](#)
 - [2.2. NTBs and the European Community](#)
 - [2.3. Defining industrial policy](#)
 - [2.4. European industrial policy](#)
- [3. European industrial policy as a non-tariff barrier](#)
- [4. Conclusion](#)
- [References](#)

1

1. Introduction

In the 1960s and 1970s, protectionist measures such as discriminatory rules and other barriers characterized the European industrial policy. However, the completion of the Single Market campaign imposed a very different task for the European industrial policy, based on the promotion of international competitiveness.

In its White Paper on growth, competitiveness and employment, presented to the European Council in December 1993, the European Commission proposed practical solutions to enhance European industrial competitiveness.

This White Paper aimed to be a parameter for an industrial policy harmonized with the completion of the internal market. Nevertheless, in practice, the European Union (EU) and the European Member States have an industrial policy very far from the aims of the Single Market program.

The Single Market demanded the removal of barriers to allow the free movement of goods, persons, services and capital through the elimination of physical, technical and fiscal barriers. In this process, therefore, some economical and geographical effects were expected, such as the equalization of internal prices and geographical reallocation of production to the sites with better comparative advantage (clustering).

The Single Market program dismantled a very large range of non-tariff barriers (NTBs) that included physical border checks, different national standards and regulations, barriers to the movement of labour and capital, among other measures.

Unfortunately, after the implementation of this program, new and old NTBs proliferated. In this essay I demonstrate that the EU and the European national states run an active, unofficial industrial policy

that distort the internal and external competition.

This paper concludes that this industrial policy is not harmonized with the Single Market. This unofficial industrial policy constitutes a proof that the objective of the completion of the internal market is still beyond its conclusion.

2. Defining NTBs and industrial policy

2.1. Defining non-tariff barriers (NTBs)

A NTB may be defined as any regulation of trade other than a tariff or other discretionary policy that restrict international trade. This includes measures taken at the border such as quantitative restrictions on access and procedures that favor domestic products over imports, for instance subsidies.

Most of the countries of the world significantly reduced their tariffs under the auspices of the GATT/WTO. However, most of the countries in the world also created new barriers to protect their internal inefficiencies.

The elimination of NTBs is a process much more complicated than the elimination of tariffs since the limit for the creation of new barriers other than tariffs is the imagination of the policy makers. Moreover, the lack of transparency in the use of such measures demands further supervision, which implies higher costs for firms and governments.

The Tokyo Round of GATT negotiations adopted a number of non-tariff codes intended to clarify the non-tariff measures (NTMs). Although they were effective in many respects, the NTB Codes were optional agreements with low adherence by GATT members. This made their legal status questionable and, therefore, resulted in the failure of the initiative.

The WTO Agreements import almost all of the Tokyo Round codes into the "Single Undertaking" with the exceptions of the Government Procurement and the Civil Aircraft Agreement, which remain optional plurilateral agreements. The new Agreements are: Agreement on Technical Barriers to Trade, Agreement on Anti-Dumping Measures, Agreement on Customs Valuation, Agreement on Import Licensing Procedures, and the Agreement on Subsidies and Countervailing Measures.

Furthermore, the Uruguay Round achieved several agreements on NTMs including: Agreement on Sanitary and Phytosanitary Measures, Agreement on Preshipment Inspection, Agreement on Rules of Origin, and Agreement on Safeguards.

These agreements demonstrate that the elimination of NTBs is the top priority towards the liberalization of world trade and at the same time a very complex task due to its infinite forms. In order to better understand what, in practice, can be classified as NTMs, Miroslav N. Jovanovic⁽¹⁾, elaborated the following map of NTBs:

Table I

2.2. NTBs and the European Community

The European Community eliminated tariffs on internal trade in 1968. The elimination of NTBs on internal trade was the task of the Single Market program. In 1985 the Commission White Paper (Cockfield Report) identified barriers for completing the internal market and proposed 282 measures with a detailed timetable for their completion by the end of 1992. By the end of 1995 most of those proposals had been adopted and transported into the national's law.

This program abolishes a series of technical, physical and fiscal barriers to internal trade through the institution of single standards and regulations, the simplification of the fiscal structure and border related controls, the institution of new rules for public procurement, among other measures related to the removal of NTBs for internal trade.

Furthermore, the 1992 Programme proposed the monetary integration, the Social Charter, measures related to enhancement of competition and promotion of R&D cooperation among firms.

The elimination of NTBs intensifies the process of economic integration, generating the following effects:

- Increasing intra-industry trade (firm specialization in certain lines of production)
- Increasing economies of scale (due to the market enlargement)
- Increasing variety of goods produced
- Arbitrage (elimination of price differences on the same good/service through direct concurrence - convergence of prices)
- Natural selection (elimination of inefficient firms, mergers and acquisitions)
- Geographical clustering (geographical concentration of production due to the comparative advantages of the region)

The elimination of NTBs in internal trade creates enormous economic benefits for the Community. However, this process has an undesirable collateral effect of regional impoverishment in those regions that were overprotected in the past and now have to adjust to the new business environment. For those regions with plenty of inefficiencies the "unofficial" European industrial policy, described in the next section, offers a new range of NTBs *à la carte*.

Outside exporters to EU countries have to face the new internal EU's NTBs and special external NTBs, such as the Voluntary Export Restraints (VERs are agreements that limit exports into a market, often on basis of specific market conditions(2)), the exports subsidies, quotas in some sectors, lack of intellectual property rights, among other barriers.

2.3. Defining industrial policy

Unfortunately, there is not a single and widely accepted definition of what is industrial policy. Audrestch(3), for example, address the problem citing one judge of the United States Supreme Court of Justice whom, trying to find a definition of pornography, said, "You know it when you see it, but you can't define it." Therefore, I summarize here some different definitions of industrial policy.

A very broad definition is given by Bayliss and El-Agraa(4) who understand that "industrial policy embraces all acts and policies of the state in relation to industry." In the same way Curzon(5) states that "industrial policy may be generally defined as any government measure, or set of measures, to promote or prevent structural change."

Other authors, such as Geroski(6) give a less neutral vision of industrial policy defining it as a "wide-ranging, ill assorted collection of micro-based supply initiatives which are designed to improve market performance in a variety of occasionally mutually inconsistent ways." Similarly, Krugman and Obstfeld(7) believe that "industrial policy is an attempt by a government to shift the

allocation of resources to promote economic growth,” and Gual(8) defines “industrial policy as the set of government interventions that by way of taxes (or subsidies) and regulations on domestic products or factors of production attempt to modify the allocation of domestic resources that results from the free operation of the market.”

A broad, frequently cited definition, is given by Johnson(9) for whom “industrial policy means the initiation and coordination of governmental activities to leverage upward the productivity and competitiveness of the whole economy and of particular industries in it.”

There are a lot of other definitions. However, all have in common a clear notion that industrial policy is not a neutral policy because the governmental intervention usually penalizes or assists one economic sector over to another one.

3

2.4. European industrial policy

The scope of the European industrial policy has two different levels of activity. The first is the national industrial policies and the second is the common EU industrial policy.

Each Member State has its own tradition concerning its industrial policies. Countries such as France and Italy traditionally are very interventionist. Others, like the UK, rely more on market based activities.

Although all national policies should be consistent with the EU rules, frequently the national policies are contradictory to the EU industrial policy. Those national policies have the power, for example, to manipulate local prices, to control local monopolies, to influence the location of firms through regional assistance, to offer state aid to declining sectors (under the rules of Article 92 of the EEC Treaty), to establish environmental controls, to set norms for industrial activities, among other powers.

The local industrial policies struggle with the effects of the Single Market program, assisting their own industrial sectors against foreign competitors. On the other hand, the EU’s industrial policy, according to Article 130 of the Maastricht Treaty, has the basic task of ensuring that “the conditions necessary for the competitiveness of European industry exist.” Furthermore, the treaty sets four sub-objectives:

- speeding up the industry's adjustment to structural changes;
- encouraging an environment in which initiative can thrive and in which undertakings, particularly small and medium-sized, can develop;
- encouraging an environment favorable to cooperation between undertakings;
- fostering a better exploitation of the results of innovation and of research and technological development which are of potential value to industry.

To achieve those objectives the Treaty of the European Union (TEU) specifies in the same Article 130 that the industrial policy may be implemented “through the policies and the activities the Community pursues under other provisions of the EC Treaty.”

For Bourgeois and Demaret(10) the provisions contained in TEU are: Articles 85 and 86 (competition rules), Articles 92 and 93 (control of state aids), Article 99 (fiscal harmonization), Article 100 a (legislation concerning the internal market), Articles 101 and 102 (state measures

resulting in distortion of competition), Articles 112 and 113 (commercial policy), Article 123 (social adaptation to industrial changes), Article 129 b (trans-European networks), Article 130 a and seq. (economic and social cohesion), Article 130 f and seq. (research and technological development), and Article 130 r and seq. (environment).

In practice, the EU industrial policy is comprised of R&D policies measures aiming for the achievement of the Single Market and sector specific policies. Two basic instruments give the implementation of this industrial policy: budgetary and regulatory measures. The first instrument is connected to programs supporting R&D and the regions with declining sectors (structural funds) and the second with regulations related to the Single Market.

In order to support R&D activities the EU has “the Framework Programme”. The first RTD framework programme giving EC financial support for a very broad range of research projects was born in 1983 and covered 1983-87; the second programme ran from 1987-91 and the third from 1991 to 1994. The fourth programme is currently running with a budget for 1994-1998 of ECU 13.1 billion.⁽¹¹⁾

The main EU programs in R&D are ESPIRIT (European Strategic Programme for Research and Development in Information Technology) and RACE (Research and Development in Advanced Communications Technologies for Europe). Furthermore, the EU runs its own R&D center - the Joint Research Centre (JRC).

Community Structural Funds (CSF) was created to correct regional imbalances, helping to develop and to adjust those regions with industrial sectors in declining activity and underdeveloped regions. The CSF consists of a list of programmes (over 540), including areas such as agriculture, R&D, infrastructure, industry, services, and human resources, among others. Furthermore, the EU runs the following regional funds: European Regional Development Fund (ERDF), European Social Fund (ESF), and the European Agricultural Guidance and Guarantee Fund (EAGGF). In addition the European Investment Bank (EIB) concedes a wide range of special loans.

The second group of instruments of the EU industrial policy is the regulations. This instrument includes public procurement (set minimum local requirements and preference for European firms), anti-dumping measures, technical standards, health requirements, VERs, and rules related to dominant firms, mergers and acquisitions.

3. European industrial policy as a non-tariff barrier

In the previous section I defined NTB as any regulation of trade other than a tariff or other discretionary policy that restricts international trade. Furthermore, I defined industrial policy as a non-neutral governmental policy that supports or penalizes (setting market distortions) special sectors of the economy. Therefore, any governmental activity that, setting market distortions related to the industrial sector, restrains international (and in the case of the EU, internal) trade may be understood as a NTB.

The scope of NTBs connected to the European industrial policy is divided into two spheres. The first are barriers on the level of Member States and the second are barriers on the EU level.

On the national level, after the 1992 programme, the EU Member States continued to adopt many technical national regulations concerning products, regulating their specification, the conditions in

which they can be used, the tests which they must undergo and the certificates or approvals to which they must be subject. In number, volume and complexity, these national rules far exceed the measures adopted at the level of the EU.(12) Moreover, the number of new national regulations is higher than all the measures proposed in the 1985 White Paper, as the following tables demonstrates:

Table II

Table III

It has taken to the EU 35 years to adopt 415 directives and regulations in order to attain minimal requirements for the achievement of the internal market. In contrast, in the years 1992-1994, the 12 Member States together notified 1136 proposals for technical rules. The figures are even higher if the activities of the three new Member States (Austria, Finland and Sweden) are taken into account.(13)

The excessive number of new regulations adopted by the Member States, especially those from Germany (21%), the UK (21%), and France (17%), are concentrated in specific sectors. Germany, for example, proposed most of its own new regulations in the areas of building and mechanical engineering, while Holland regulated predominantly in the area of processed foods.

Table IV

Despite the principle of “mutual recognition” the excess of new regulations adopted by the EU Member States suggests a “substitution effect” in which the national governments attempt to cheat the effects of the economic integration through new protectionist measures.

Another example of EU Member States’ instrument of industrial policy that is a NTB is the state aids. State aids are subsidies given by the government to specific economic sector, regions and for horizontal objectives. Under Article 92(1) of the TEU, state aids are not permitted if they affect the EU in any way. However, Article 92(2) exempts state aids designed for social purposes and Article 92 (3) informs that certain aid is acceptable if it helps industries facing temporary crisis, promotes projects of common EU interest and promotes economic development in those area with low living standards.

In 1994 the EU countries spent 42.83 billion ECU in state aids through grants, relives, equities, soft loans, differed tax provisions, and amounts covered under guarantee schemes, among other tax and budgetary instruments.

More than 50% of this value was spent on regional objectives, especially in Germany, Ireland, Italy, Luxembourg, Greece and Portugal. Particular sectors accounted for 15% of all state aid, especially in Spain and France. Furthermore, horizontal objectives were the main state aid spending in Belgium, Denmark and Holland, as the following table demonstrates:

Table V

5

In the context of regional aid, the integration of the East German economy into the internal market, for example, has been facilitated by certain aid measures. During the years of 1992 to 1994 aid totaling a yearly average of ECU 13 254 billion was granted to the New Lander.(14) This volume represents 76% of all German aid to industry.

Table VI

A good measure of the potential distortion of competition in the EU is given by the ratio of aid relative to the value of intra-Community exports of manufactured goods. This ratio shows a slight upward tendency from 1991.

Figure 1

Most of the NTBs utilized by the EU Member States in their external trade conform to the EU policies. Nevertheless, in some countries there are abuses in the use of protectionist measures

The U.S. Department of State(15) reports, for example, that in Portugal quantitative import restrictions remain for the following products: automobiles, fabrics and nets, fuses, parts of footwear, iron, steel tubes and pipes, and weaving machines. Furthermore, Portugal's 1990 privatization law limits foreign participation in state-owned enterprises being privatized, and limits foreign (non-EU) investment to 15 percent in television broadcasting and 25 percent in telecommunications firms.

Moreover, there are accounts of abuses in the use of Ecotaxes in Belgium, of standards and standards setting in Italy and France, and of "defensive procurement policy" in Greece, among other specific protectionist measures adopted by the different EU Member States.

The extent of NTBs connected to industrial policy on the EU level is far more elaborated than on the Member State level. Measures such as new standards, environment and anti-dumping rules, expenditures of the different Community's funds, constitute NTBs that bias both internal and external competition. Moreover, external competitors have to face other NTBs, such as VERs, biased rules on public procurement, ecolabeling, and limitations on ownership, among other barriers

One of the main sources of NTBs in the European industrial policy is given by the Community expenditures in the different funds. Most of these funds "combat" the economic effects of the 1992 programme because they support regions, sectors or people without conditions to compete in the circumstances of a free-integrated EU market.

Table VII

The European Community instituted the Single Market to enhance competition and integration. Those funds became the medicament for countering the collateral effects of this program, re-instituting NTBs.

6

Itself, the EU supports the creation of NTBs into the new European industrial policy, creating a wide range of programs designated to assist industries and regions. A short list of these programs is given ahead:

- ACTS (Communication Technologies)
- BC NET (Business Cooperation Centre) Network
- BIC/EBN (Business and Innovation)
- CIM (Computer-Integrated Manufacturing)
- CRAFT (SME Participation in RTD Programmes)
- Dissemination and exploitation of RTD results
- ECHO (Electronic Information Service)

- ECIP (Investment Partnership)
- EIB global loans
- EXPROM (Export Promotion)
- Industrial and materials technologies (BRITE EURAM)
- RECHAR II (Decline of Coal Industry)
- REGIS II (Remote Regions)
- RESIDER II (Steel Areas)
- RETEX (Textiles/Clothing Regions)
- Standardization, measurement and testing
- Textiles/clothing Portugal

The Textiles/clothing Portugal is an example of a program that supports both a declining sector and regions affected by the internal market. The EU, recognizing the importance to Portugal of the textiles and clothing sector, which accounts for more than one third of its employment and exports, decided to assist the modernization of this sector, helping firms to adapt to increasing international competition. This program has a budget of ECU 400 million in addition to the Retex program.

The “new approach” simplified considerably the complex standards and legislations in EU Member States. However, as I noted before, after 1992 the EU countries produced new standards and legislations against the spirit of the internal market. Moreover, the problem persists on the EU level with the implementation of environment legislation, voluntary ecolabeling schemes, and packing rules, among other new EU standards.

The environment legislation constitutes an example of a NTB for both EU countries and exporters to the EU, due to the lags in the development of EU standards; lags in the drafting of harmonized legislation for regulated areas; inconsistent application and interpretation by Member States of the legislation that is in place; overlap among directives dealing with specific product areas; gray areas between the scope of various directives; and, unclear marking and labeling requirements for regulated products, as a report on EU trade practices relates(16).

On March 1992, a “voluntary” ecolabeling program was issued by the EU Council of Ministers. This program permits a manufacturer to obtain an ecolabel for a product when its production and life cycle meets general and specific criteria. In early and mid-1996 Member State representatives voted to adopt eco-label criteria for bed linens and t-shirts and for the fine paper product sector (adding more sectors that will be protected by this new NTB).

The rules on merger and anti-dumping measures make up part of the scope of competition policy. Nevertheless, these legal instruments may be used as an indirect tool of the industrial policy because, delaying processes, blocking mergers and acquisitions, and opening anti-dumping process, the EU and Member States can set industrial priorities.

Furthermore, in the case of mergers and acquisitions, as I observed in the previous chapter, due to the elimination of NTBs the new business environment enhanced the process of “natural selection”. Therefore, when a merger process is delayed or blocked, the economic effect of the elimination of NTBs is destroyed. In 1996 the Commission prohibited three operations: Gencor/Lonrho, Kesko/Tuko and Saint Gobain-Wacker/Chemie-NOM compared to two operations prohibited in 1995 (Kimberly-Clark/Scott and Ciba-Geigy/Sandoz).

Concerning the external trade of the EU: There are several NTBs connected to the industrial policy. An already classic case is given by the state aids for the Airbus consortium operated by France, Germany, Spain, and the United Kingdom.

An also classic case of NTB is the VERs on the EC-Japan car arrangement. Through the activity of

the Commission the Community negotiated a compromise with Japan which defined a level of car imports from Japan until 1999.

Another example is given by the EU procurement rules, which set minimum local requirements (50% of value-added), and preferences for European firms in term of prices specified in the proposals.

A summary of EU's NTBs in industrial sectors is offered by a study on EU-Mercosur trade relations(17):

Table VIII

7

4. Conclusion

From the theoretical point of view there is a conflict between the elimination of NTBs and industrial policy because the first aims for the achievement of free trade and the latter sets market distortions.

In practice, the last few years show a war over protectionism in the EU, in which some bureaucrats create new legislation or issue new policies aiming to protect different industrial sectors and regions and, at the same time, another group of bureaucrats struggle to destroy barriers to free-trade, eliminating and simplifying legislations.

This war creates an amazing cycle of creation and destruction of NTBs in which the EU Member States can at the same time divulge to their people and to the world that they are creating employment in (backwards) sectors such as the textile industry while they are creating a free-trader union.

It is very clear that the origin of this war is a contradiction in the TEU. In its Article 130 (1) it is specified that "the Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist." For that purpose, Article 130 (a) stipulates budgetary expenses in economic and social cohesion funds and Article 130 (f) specifies spending on research and technological development. Moreover, article 130 r determines rules on environment.

However, in Article 130 paragraph 3, the treaty establishes that "this Title shall not provide a basis for the introduction by the Community of any measure which could lead to a distortion of competition." Therefore, the same Article 130 creates and prohibits industrial NTBs.

The EU was aware of the importance of protecting sectors with considerable weight into the economies of its members, such as the textile industry in Portugal and, at the same time, of the necessity of a free-trader union. Considering that the protection of specific sectors and the elimination of NTBs are contradictory objectives, the EU permitted the creation of mechanisms in its TEU in which both policies can be pursued.

Here, I do not claim the elimination of environmental standards, product safety measures, etc. I would like to believe that EU Member States do not issue these measures only to protect their local industries, but mainly because they want to protect their consumers. Nevertheless, in the context of European integration a wide coordination between Members States and the EU bureaucracy is required in order to ensure internal and external competition and to stop this illogical cycle of creation and destruction of norms and rules.

Furthermore, industrial policy is a powerful instrument towards the economic development of the EU. However, I believe that industrial policy measures taken into the Member States level contradict the spirit of the TEU. Industrial policy should be taken only in the EU level because only at this level the industrial policy can develop the industrial base of all Member States and the contradiction between the internal market programme and industrial policy can be eliminated.

Finally, it is very clear that there are huge contradictions between the activities carried out by the DG IV (Competition) and DG XV (Internal Market and Financial Services) with those conducted by DG III (Industry), DG XI (Environment, Nuclear Safety and Civil Protection) DG XII (Science, Research and Development Joint Research Centre) and DG XXIII (Enterprise Policy, Distributive Trades, Tourism and Cooperatives). A coherent coordination between these directories is urgently required in order to enable the elimination of NTBs and the development of an EU industrial policy.

References

Barnes, I. and Barnes, P.M., (1996), *The Enlarged European Union*, Logman, UK.

Buigues, P., Jacquemin, A., and Sapir, A., (Eds), (1995), *European Policies on Competition, Trade and Industry*, Edward Elgar, Aldershot, UK.

Commission of the EU, (1997), *Fifth Survey on State Aid in the European Union in the Manufacturing and Certain Other Sectors*, Brussels.

Commission of the EU, (1996), *National regulations affecting products in the Internal Market - a cause for concern*, BIO/96/91, Brussels

Commission of the EU, (1997), *XXV Report on Competition Policy 1996*, Brussels

Curzon Price, V., (1981), *Industrial Policies in the European Community*, St. Martin's Press, United States

Curzon Price, V. (1990), "Competition and Industrial Policies with Emphasis on Industrial Policy" in El-Algra, A., *The Economics of the European Community*, Philip Allan, UK.

Geroski, P.A., (1989), *European Industrial Policy and Industrial Policy in Europe*, *Oxford Review of Economic Policy*, Vol. 5, 2, pp.20-33

Jovanovic, M.N., (1997), *European Economic Integration*, Routledge, London.

Johnson, C., (1984), *The Idea of Industrial Policy* in Johnson, C. (Ed), *The Industrial Policy Debate*, Institute for Contemporary Studies, San Francisco, CA.

Krugman, P. and Obstfeld, M., (1991), *International Economics: Theory and Policy*, Harper Collins, New York, NY.

Nicolaidis, P. (Ed.), (1993), *Industrial Policy in the European Community: a Necessary response to Economic Integration?*, Martinus Nijhoff Publishers, Netherlands

Swan, D., (1995), *The Economics of the Common Market*, Penguin Books, London.

Thorsten, V. (1994) *Relações Comerciais Entre a União Européia e o Mercosul: Impacto da*

Formação do Bloco Europeu e da Política de Comércio Externo da UE para o Mercosul, Ministério das Relações Exteriores, Brasil.

U.S. Department of State, (1997), EU Report on Economic Policy and Trade Practices, http://www.state.gov/www/issues/economic/trade_reports/europe_canada/eu96.html

U.S. Trade Representative, (1997), National Trade Estimate Report on Foreign Trade Barriers, <http://www.ustr.gov/reports/1997/eurounio.pdf>

Endnotes

(1) Jovanovic, M.N, (1997), *European Economic Integration*, P.237.

(2) Barnes, I. and Barnes, P.M., (1996), *The Enlarged European Union*, pp. 363-364.

(3) Audretsch, D.B, (1993), Industrial Policy and International Competitiveness in Nicolaides, P. (Ed), *Industrial Policy in the European Community*, p.68.

(4) El Agra, A.M and Bayliss (1990), Competition and Industrial Policy in El Agra (Ed), *The Economics of the European Community*, Chapter 7.

(5) Curzon Price, V., (1981), *Industrial Policies in the European Community*, p.17.

(6) Geroski, P.A., (1989), European Industrial Policy and Industrial Policy in Europe, *Oxford Review of Economic Policy*, Vol. 5, 2, pp.21.

(7) Krugman, P. and Obstfeld, M., (1991), *International Economics: Theory and Policy*, p.281.

(8) Gual, J. (1995), The Three Common Policies: an Economic Analysis in Buigues, P., Jacquemin, A., and Sapir, A., (Eds), *European Policies on Competition, Trade and Industry*, p.9.

(9) Johnson, C., (1984), The Idea of Industrial Policy in Johnson, C. (Ed), *The Industrial Policy Debate*, p.8.

(10) Bourgeois. J.H.J and Demaret, (1995), The Working of EC Policies on Competition, Industry and Trade: a Legal Analysis in Buigues, P., Jacquemin, A., and Sapir, A., (Eds), *op cit*, pp 71-72.

(11) <http://europa.eu.int/pol/rd/en/info.htm>.

(12) Commission of the EU, (1996), National regulations affecting products in the Internal Market - a cause for concern, BIO/96/91.

(13) Fifth Survey on State Aid in the European Union in the Manufacturing and Certain Other Sectors, pp. 14-16.

(14) *Ibid*, p. 18.

(15) U.S. Department of State, (1997), EU Report on Economic Policy and Trade Practices, http://www.state.gov/www/issues/economic/trade_reports/europe_canada/eu96.html.

(16) *Ibid*.

(17) Thorsten, V. (1994) Relações Comerciais Entre a União Européia e o Mercosul: Impacto da Formação do Bloco Europeu e da Política de Comércio Externo da UE para o Mercosul.

*©1998 by Sarfati
formatted and tagged by MN, 12.5.1998*

Table I

Major Group	Type
1. Government involvement in international trade	Subsidies (production, exports, credit, R&D, cheap government services), Public Procurement, Embargoes, Tied Aid, State monopoly trading, Exchange rate restrict.
2. Customs and administrative entry procedures	Customs Classification, Customs valuation, Antidumping and countervailing duties, Rules of origin, Consular formalities, Deposits, Trade licensing, Calendar of import, Administrative controls
3. Standards	Technical, Health, Environment, Testing and certification, Packing, labelling, weight
4. Others	Quotas, Tax remission rules, Variable levies, Bilateral agreements, Buy domestic campaigns, Voluntary export restrictions, Self-limitation agreements, Cartel practices, Permission to advertise, Ambiguous laws, Orderly marketing agreements

Table II

Number of new regulatory proposals

	Member States[2]	European Union
1992	362	60
1993	385	28
1994	389	28

[2] Data are for 12 Member States: Including Austria, Finland and Sweden, totals would be 466 in 1992, 438 in 1993 and 442 in 1994

Source: European Commission - DG III

Table III

Ranking of Member States according to the number of measures (2)

	1992	1993	1994	Total	Share %
Germany	65	80	98	243	21
UK	67	106	62	235	21
France	73	65	60	198	17
Italy	40	36	34	110	10
Holland	38	24	40	102	9
Denmark	28	18	34	80	7
Spain	12	15	25	52	5
Belgium	11	18	16	45	4
Greece	11	12	12	35	3
Portugal	12	7	7	26	2
Ireland	2	3	1	6	1
Luxembourg	3	1	0	4	0
Total EU	362	385	389	1136	100

Source: European Commission DG III

Table IV

Ranking of sectors according to the number of measures

Sector	1992	1993	1994	Total	Share
Telecom	89	132	110	331	29%
Agriculture and food	77	56	65	198	17%
Building and construction	56	35	52	143	13%
Mechanical engineering	29	39	74	142	13%
Transport	47	53	34	134	12%
Chemical products	15	22	17	54	5%
Pharmaceutical products	14	20	14	48	4%
Products for household	10	2	7	19	2%
Environment, packagi	9	7	2	18	2%
Health, medical equipment	9	9	4	22	2%
Energy, minerals, wood	3	6	5	14	1%
Other products	4	4	5	13	1%
Total	362	385	389	1136	100%

Source: European Commission - DG III

Table V

State aid to industry 1992-94 - Breakdown of aid according to

sector and function (%)

Sectors/Functions	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxemb.	Hollan
Horizontal Object.	82	72	15	60	40	44	15	27	30	74
R&D	7	30	4	1	11	18	2	2	8	26
Environment	1	8	1	0	3	1	0	0	4	6
SME	15	3	5	12	12	3	5	8	17	6
Trade	13	9	0	11	1	19	6	10	1	2
Energy Saving	14	23	2	0	2	0	2	1	0	27
General Invest.	3	0	0	4	6	2	0	2	0	4
Other object.	30	0	3	31	5	0	0	3	0	3
Particular Sectors	3	25	5	19	43	38	11	22	0	11
Shipbuilding	2	21	3	13	12	1	0	2	0	1
Other sectors	1	5	2	6	31	37	11	20	0	10
Regional Object.	15	3	80	21	16	18	73	50	70	15

Source: European Commission - DG IV

Table VI

German state aids to the New Lander - yearly average 1992-94

	Million ECU	in %	in % of tot.
Grants	5583	42,1	32,1
Tax exemptions	2497	18,9	14,3
Equity participations	6,4	0,1	0,04
Soft loans	3269	24,7	18,8
Guarantee	1898	14,3	10,9
TOTAL	13254	100	76,1

Source: European Commission - DG IV

Table VII

Annual Community Expenditures Funds in millions ECU

Fund	1990	1991	1992	1993	1994
Social Fund	3.540,2	4.785,8	5.894,2	6.306,8	5.826,8
Regional Fund	776	1.152	1.374	1.635	1.803
Cohesion Fund	---	---	---	1.565	1.803
EC R&TD Framework Programme	1.602	1.567	2.391	2.094	2.019
European Investment Bank	12.562,3	14.398,8	16.066	17.672,6	17.656
European Investment Fund	---	---	---	---	643

Source: European Commission - DG IV

Table VIII

EU Trade Barriers for Mercosur Exports

	Tariffs (%)	Trade Barriers
Food/Tobacco/Beverages	0 - 30	PN, Eco, S, FM
Minerals	0 - 17	PN, Eco
Chemicals	0 - 18	PN, Eco, DAD
Plastics/Rubber	0 - 10	PN, Eco
Footwear/Leather	0 - 20	PN, DS
Wood	0 - 10	PN, Eco
Paper/Cellulose	0 - 12	PN, Eco
Textiles	0 - 17	PN, Eco, VRE, DS
Non-metal/Precious met.	0 - 8	PN
Metals	0 - 10	PN, Eco, DS, DAD, VRE
Machines/Equipment	0 - 15	PN, Eco, VRE
Transport equipment	0 - 22	PN, Eco, VRE
Optical/Instruments	0 - 11	PN

Source: TPR - GATT and Vera Thorstensen

Note:

PM

Phytosanitary measures Eco -Eco label

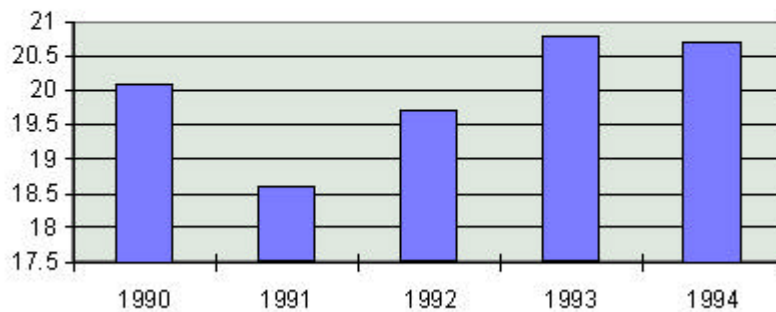
DS

Social Dumping

- S
export subsidies
- SN
Standards and technical norms
- VRE
Voluntary Export Restraints
- DAD
Anti-Dumping

Figure 1

**State aid to industry in the Community (in %
of intra-Community export*)**



Source: European Commission - DG IV

* intra-Community exports of industrial products

©1998 by Sarfati
formatted and tagged by MN, 12.5.1998