
Editorial

Information or Abstention: State Aids after 1992

The argument between the Commission and the UK Government over the future of section 8 of the Industrial Development Act 1982 throws into relief the whole problem of state aids in the internal market. The Commission wants the section repealed; the UK Government wants merely to have to inform the Commission before using it; and to bow to the Commission's judgment on whether the aid was justified.

The Commission's attention was focussed on the section by the payment to British Aerospace of "sweeteners" to encourage it to take over the Rover group. However, the Commission had

decided even before then that the provision would have to go.

State aids in the automotive sector are the subject of a Community framework introduced at the beginning of 1989. Since then, declining demand for new cars in the Community has raised the spectre of overcapacity and precipitated a review by the Commission. The framework plays a central rôle in the creation of a single Community motor vehicle market.

The danger for the industry is that the Commission will be inclined to pursue the goals of competition and lose sight of the Community industry's competitiveness. The block exemption for motor vehicle distribution agreements (Regulation EEC 123/85), with its unjustified pre-occupation with price differentials, has made this mistake already. The only beneficiaries from the consumer-oriented approach

the Commission has previously taken to the industry have been competitors from the Far East. The Commission is now engaged in dismantling the protective voluntary restraints erected by the motor industry against principally Japanese manufacturers. Too restrictive a policy on state aids could be the last nail in the coffin.

The consumer undoubtedly desires cheap cars, and these are most likely to be produced when competition is allowed free rein. But the consumer is also entitled to expect that the goal of employment in the Community will also have some importance attached to it, and the preservation of manufacturing industry in Europe will be secured even at the expense of a certain amount of competition.

Peter Groves