SUPPORT FOR COMPETITIVENESS: NATIONAL AND COMMON STRATEGIES FOR MANUFACTURING INDUSTRIES WITHIN THE EUROPEAN COMMUNITY

With 4 figures and 5 tables

BORIS BRAUN and REINHOLD E. GROTZ

Zusammenfassung: Stärkung der Wettbewerbsfähigkeit: Nationale und gemeinsame Strategien der Industriepolitik innerhalb der Europäischen Gemeinschaft

Trotz der zunehmenden europäischen Integration ist die EG weder industriestrukturell noch industriepolitisch ein homogener Länderblock, sondern sie umfaßt Staaten und Regierungen mit z. T. sehr unterschiedlichen industriepolitischen Zielen und Konzeptionen. Dennoch ist in allen EG-Mitgliedstaaten seit Mitte der 80er Jahre eine Abkehr von defensiv-strukturkonservierenden Maßnahmen und eine Hinwendung zu einer offensiv-innovationsorientierten Industriepolitik unverkennbar. Vor allem das Bemühen, der jeweiligen nationalen Industrie eine gute Ausgangsposition für den gemeinsamen Binnenmarkt zu verschaffen, spielt dabei eine erhebliche Rolle. Auch innerhalb der Gemeinschaft versuchen die nationalen Regierungen möglichst viele ihrer Grundvorstellungen in die offizielle EG-Politik einzubringen. Die unterschiedlichen industriepolitischen Überzeugungen haben bislang eine europäische Industriepolitik ‚aus einem Guß' stark behindert. Die vorsichtigen und sehr allgemein gehaltenen Formulierungen zu Prinzipien der gemeinschaftlichen Industriepolitik in dem Vertragswerk zur Europäischen Union reflektieren diese Schwierigkeiten.

Der Beitrag beleuchtet die vielschichtigen industriepolitischen Maßnahmen bzw. Ziele der westeuropäischen Industrienationen und der Europäischen Gemeinschaft im entstehenden Binnenmarkt und zeigt die grundsätzlichen Probleme einer gemeinsamen Industriepolitik auf. Zudem werden nationale industriepolitische Ziele und gemeinsame Strategien an drei konkreten Fallbeispielen diskutiert: (1) die Vergabe nationaler Subventionen, (2) die Probleme auf dem europäischen Automobilmarkt und (3) die 1990 eingeführte EG-Fusionskontrolle.

Under the so-called Single European Act, the member states of the EC intend to achieve the abolition of all barriers to free movement of persons, goods and services in a single European market. Despite some unsolved problems, in particular in the field of taxation, the EC area now comprises the largest single market of the world.

Since the beginning of the initiative for the completion of the common market in 1984/85, there has been a process of growing adaptation to the new framework between the national economies. According to most governments, industrial policies are perceived as a centrepiece in the preparation of their industries for the 'new' conditions within the EC and on the global marketplace. Not all areas of industrial policy within the EC are as far developed as the coal and steel area. But other areas of industrial policy have also been discussed intensively in the Community in recent years, and they play a major role in the European Union Treaty.

In different countries the expression 'industrial policy' is used in various ways according to the governing party and national traditions of economic policy. Narrowly defined the expression is understood as state intervention affecting only specific sectors. But other measures and fields of policy can serve the realization of industrial-political aims, too. The most important of these are shown in Figure 1.

As a result of this wide range of possibilities, industrial policy is, on the one hand, a complex marked by a complicated juxtaposition of legal regulations and diverse means of intervention, and, on the other hand, a laissez-faire of market mechanisms. Very often different levels of government decision-making are involved in this process.

The goal of this paper is to take a closer look at the multilayered industrial-political measures and objectives of the member states and the EC since the mid-80s. We also want to give an insight into the possibilities, difficulties and limitations of regulatory and institutional responses within the multinational economic framework of Europe.

1 Principles of industrial policies in EC countries in the 70s and 80s

The changes in global economy during the last decades demanded structural adjustment within the leading national economies in the world. Governments of all industrialized countries tried to intervene with more or less specific instruments of industrial policy. Especially in the 1970s Europe's manufacturing industry was characterized by increasing state interventions. Until the mid-80s, defensive measures conserving industrial structures such as sectoral sub-

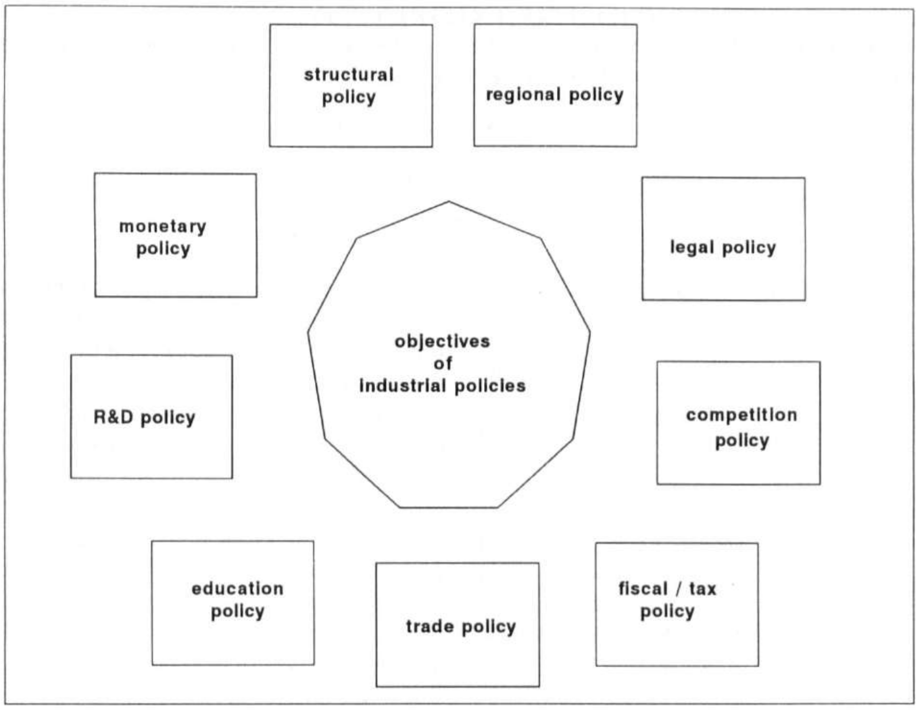

Fig. 1: Policy areas affecting industrial policies
Industriepolitisch bedeutsame Politikfelder

sidies, restrictions on imports, or nationalization were dominant. The main consequence of this increasing industrial-political intervention was a rapid growth of the amount of subsidies. During these years, almost all European governments were following a policy which supported their steel, shipbuilding, and textile industries. But the number of jobs in the particularly supported sectors declined further, despite massive state interventions.

In comparison with their costs, the results of this industrial policy were relatively poor. This has led to some rethinking in economic policy since the mid-80s (OECD 1989). At this point, the main emphasis of the policies shifted towards strengthening the market mechanisms and offensive measures of industrial policy. Aims such as boosting of competition, reduction of subsidies and import restrictions, denationalization, and de-regulation gained considerable importance, at least verbally.

In general, industrial policies of the West European countries have been shaped by three main motives in recent years: (1) Improvement and maintenance of international competitiveness, particularly with respect to Japan and the U.S., (2) overcoming of structural crises, and (3) preparation of the national economies for the Single European Market (FRANZMEYER et al. 1987). According to their idea of market competition and their basic understanding of economic policy, governments either introduced strategies aimed at big companies, mergers and oligopolistic market structures or approaches aimed at support of R&D and of small and medium enterprises (SME). In addition, there are diverse individual national aims and diverse instruments for the support of competitiveness. Even in the Single European Market, these will maintain their significance as there will be considerable space for national regulations. Furthermore, the governments are trying to transfer their national regulations into common EC law.

2 Differences and convergences in industrial policies in the EC – three examples

Diverging and converging concepts of national industrial policies and the problems resulting from that will be shown on selected fields of industrial policy. The three examples presented also are characterized by different degrees of EC decision-making competence.

Table 1: National subsidies for manufacturing industries in EC countries – yearly averages 1986–1988 and 1988–1990
Staatliche Beihilfen im verarbeitenden Gewerbe – Jahresdurchschnitte 1986–1988 und 1988–1990

	In % of value added		Per employee in ECU		In ECU*) million	
	1986–1988	1988–1990	1986–1988	1988–1990	1986–1988	1988–1990
Belgium	4.3	4.1	1,606	1,655	1,175	1,211
Denmark	1.9	2.1	593	634	316	333
France	3.8	3.5	1,437	1,380	6,479	6,106
Germany	2.7	2.5	994	984	7,869	7,865
Greece	24.3	14.6	2,983	1,502	2,074	1,072
Ireland	6.4	4.9	2,114	1,734	447	368
Italy	6.2	6.0	2,139	2,175	10,760	11,027
Luxembourg	2.3	2.6	988	1,270	37	48
Netherlands	3.1	3.1	1,215	1,327	1,101	1,225
Portugal	2.2	5.3	302	758	245	616
Spain	6.8	3.6	1,749	936	4,491	2,499
UK	2.6	2.0	770	582	4,101	3,133
EC total	4.0	3.5	1,325	1,203	38,835	35,503

*) in 1989 prices
Source: Kommission der Europäischen Gemeinschaften (1922b)

2.1 National subsidies for manufacturing industries

The amount of subsidies spent for industries is a valid indicator for the extent of industrial-political intervention in EC member countries. Three EC reports on subsidies which have been published so far (1988, 1990 and 1992), provide a relatively reliable data base for national subsidies covering the period from 1981 to 1990[1]. Whereas state aids in most European countries grew enormously in the economically-depressed times of the 70s, there has been a tendency for a slightly decreasing volume of subsidies on the EC-level since the mid-80s (Kommission der Europäischen Gemeinschaften 1992b, 8).

A more differentiated picture emerges when national subsidies are shown as percentages of net value added in manufacturing. Table 1 shows a very high amount of subsidies for the manufacturing sector in Italy and the small EC member states Greece and Portugal. Ireland is below the Italian level but still well above the EC average. Particularly the peripheral EC countries in the South and the extreme West with still a relatively small degree of industrial efficiency, try to protect their industries. In contrast, Belgium, Spain, France and the Netherlands are about average, whereas Luxembourg, Germany, Denmark and the UK are below average. In general, the level of subsidies measured as percentage of net value added slightly declined in most member states during the 80s. But this decline is much smaller than originally assumed. Among all major European economies only the UK can record a substantial reduction of subsidies.

The ways for distribution of national subsidies show considerable differentiation. Only a portion of the subsidies is given to the companies as direct financial aid (Table 2). In France, Germany and Portugal, they form only about one-third of the complete amount given. Tax reductions play an important part especially in Germany. In some other countries such as France and Spain, the higher level of nationalization is reflected in a substantial amount of state participation in capital investment.

Another interesting point is the intended use of subsidies, where significant national differences emerge, too. Table 3 shows a dominance of *horizontal assistance* with neither sectoral nor regional objectives in most European countries. Here the emphasis is on the financial support for R&D, which is regarded as very important for competitiveness of national and regional economies. In this field, remarkable differences are obvious. In Denmark and in the Netherlands about one-third and in France nearly one-fifth of all industrial subsidies go into R&D; whereas in

[1] Subsidies as defined by the Community (art. 92 and 93 in the EEC Treaty) encompass real subsidies as well as tax exemptions, low-interest loans, participation in capital investments etc. All figures for Germany refer to the territory of former West Germany.

Table 2: Type of government support for manufacturing industries in EC countries 1988–1990 (in percent)
Formen der staatlichen Beihilfen für das verarbeitende Gewerbe in EG-Staaten 1988–1990 (in Prozent)

	B	DK	D	E	F	GR	IRL	I	L	NL	P	UK
Grants	55	59	28	78	28	44	50	53	75	66	34	78
Low-interest loans	5	37	7	11	14	11	0	2	16	4	4	3
Tax reductions	27	3	61	0	16	17	44	40	5	27	3	4
Tax deferment	0	0	3	0	3	0	0	0	0	0	0	6
Capital participation	5	0	0	10	11	18	2	5	2	0	59	8
Sureties/guarantees	8	0	1	1	28	11	3	0	1	3	1	1
Total	100	100	100	100	100	100	100	100	100	100	100	100

B = Belgium, DK = Denmark, D = Germany, E = Spain, F = France, GR = Greece, IRL = Ireland, I = Italy, L = Luxembourg, NL = The Netherlands, P = Portugal, UK = United Kingdom
Source: Kommission der Europäischen Gemeinschaften (1992b)

countries such as Italy, Ireland, Greece and Portugal support is of minor importance with only 4% or less of all subsidies.

Sector specific assistance reaches very high amounts in Portugal (78%), Spain (67%), Denmark (38%) and France (41%). While in France nationalized sectors and state owned companies are given substantial financial aids, there are virtually no sector specific measures of support in Germany with the two exceptions of the shipbuilding and aircraft industries (Airbus) (Classen 1991, 52). In most countries an important portion of sectoral assistance is directed towards the shipbuilding industry, whereas subsidies for the steel sector have been considerably reduced since the mid-80s.

Regional support, on the other hand, plays an important role in Germany (61%), Luxembourg (61%), and Italy (55%), but also in Ireland (42%), and the UK (34%). In Germany, even before reunification, a big part of the subsidies was allotted to economically weak regions, in particular to former West Berlin. A similar situation exists in Italy, where regional aid for the Mezzogiorno forms a significant part of all subsidies.

The two special problems of the Italian Mezzogiorno and of Berlin in Germany formed about two-thirds of all national assistance for regions in the EC between 1986 and 1988 (Kommission der Europäischen Gemeinschaften 1990b). This partly explains the high level of subsidies in absolute figures in both

Table 3: Subsidies for manufacturing industries in EC countries 1988–1990 by sectors and function (in percent)
Staatliche Beihilfen für das verarbeitende Gewerbe in EG-Staaten 1988–1990 nach Sektoren und Funktion (in Prozent)

	B	DK	D	E	F	GR	IRL	I	L	NL	P	UK
R&D	13	35	12	9	17	1	4	4	8	35	1	8
SME	25	1	7	5	11	10	8	10	21	31	0	12
Trade/export	14	8	2	1	36	22	38	6	2	1	0	15
General investment	12	0	0	5	1	10	0	2	8	4	1	9
Other	12	14	7	8	1	37	0	8	1	4	14	2
Horizontal assistance	76	59	29	28	66	81	50	30	39	77	17	45
Sectoral subsidies	4	38	11	67	25	5	9	15	0	11	78	20
Regional subsidies	21	3	61	5	9	15	42	55	61	12	5	34
Total	100	100	100	100	100	100	100	100	100	100	100	100

B = Belgium, DK = Denmark, D = Germany, E = Spain, F = France, GR = Greece, IRL = Ireland, I = Italy, L = Luxembourg, NL = The Netherlands, P = Portugal, UK = United Kingdom
Source: Kommission der Europäischen Gemeinschaften (1992b)

countries. Thus it becomes clear that the high amounts of state subsidies at least in Italy and Germany are connected with a strong emphasis on regional policy.

Just before the dramatic changes in Eastern Europe and German reunification became effective, three main groups of countries can be differentiated according to their subsidy behaviour: a first group of countries with a high or very high level of subsidies (Greece, Italy, Portugal, and Ireland), a second group with an average level of subsidies (Belgium, Spain, France, and the Netherlands), and a third group with a relatively low level of subsidies (Luxembourg, Germany, Denmark, and the UK). Since then cutbacks of subsidies with a visible effect could only be recorded in the United Kingdom and - starting from a level which is generally much higher - in Italy, Spain, and Ireland.

In the early 1990s, Italy and especially Germany still had a special position among the big EC countries. In Italy the problems of the South have not changed very much, and Germany is confronted with a completely new set of problems because of the reunification. Through the process of unification regional problems have changed from those of some border zones to those of a third of the national territory. Therefore, regional support in Germany will continue to be of a considerable amount in the foreseeable future.

In order to assist the economic restructuring in the New Länder, the German government has instituted a number of economic support measures like the Upswing East Project (Gemeinschaftswerk Aufschwung Ost) and others (OECD 1992a, 34). These initiatives cover tax benefits, regional assistance, investment loans, equity capital assistance programmes, loan guarantees, etc. Some are outlined in more detail in Figure 2. Due to these programmes, the German federal government has been using a substantial amount of financial assistance to stimulate and accelerate the processes of structural adjustment and restructuring in the New Länder. An important portion of these funds consists of aids for investment and of tax reductions. In 1991 the financial support put up by the federal government for the development of the New Länder reached a total of DM 6.8 billion. Nearly DM 2 billion went into the direct support of the manufacturing industry alone. In 1992 these figures were even higher.

Apart from programmes which were especially set up for the New Länder, a significant portion of funds from programmes already existing were spent for the restructuring of the former GDR's economy, too. The amount of all subsidies given annually by the federal government increased from DM 29.8 billion in 1989 to DM 38.5 billion in 1991. Almost DM 11 billion were apportioned to the New Länder (Deutscher Bundestag 1991). At the same time, subsidies for industry, including mining, increased from DM 14.3 to 17.6 billion[2]. Apart from the federal government, the EC also assists the New Länder with its cohesion policy. For example, from 1991-1993 an additional DM 3 billion are to be directed into the New Länder via the Regional Fund of the EC.

Within the EC there is a large consensus about the fact that a successful completion of the Single European Market must not be jeopardized by uncontrolled provision of national subsidies. However, the EC Treaty leaves considerable scope for national regulations. And the respective national subsidies are increased significantly by EC funds. EC-subsidies are already more important in volume than the national ones in the smaller EC countries such as the Netherlands, Greece, Denmark, Portugal, and Ireland.

2.2 Coordination problems in the European automobile market

The European automobile market is a good example of how industrial political aims can be pursued and accomplished by means of trade policy. The diverse interests of the EC members emerge clear in the question of market access for Japanese cars. Until the end of 1992 national import restrictions for Japanese cars should have been reduced. There are five member states who so far have restricted the import of Japanese cars more than is guaranteed by the protection of EC-customs. Those countries are France, Italy, Spain, Portugal and the UK, but only the UK is willing to implement a process of fast liberalization. The other four want to reduce import barriers gradually. Especially France and Italy are in favour of an EC quota valid for all members, which would not only comprise the import of Japanese cars but also the production of Japanese brands in Europe, if EC content is below 80% (KOOPMANN 1990). The idea of a common EC quota is met by a strong resistance mainly by Germany as its car industry is dependent on exports beyond the EC area, too. The UK is, also

[2] These figures do not include subsidies given by local authorities and the Länder. If they are included, the overall national subsidies for 1991 amount to DM 76 billion. Together with EC funds the overall sum of subsidies in Germany totals almost DM 100 billion. In 1985 it was only DM 70 billion.

Tax benefits

Investment allowances. For the purchase and production of moveable assets in the New Länder, a 12 per cent allowance of purchase and production costs is in place where the purchase or production occurs between 1 July 1990 and 30 June 1992. The rate is 8 per cent where the purchase or production occurs between 1 July 1992 and 30 June 1994 or 5 per cent between 1 July 1994 and 31 December 1996. The investments have to be concluded up to 31 December 1996.
Special depreciation allowances. These are instituted for the purchase and production of depreciable moveable and fixed assets, and for extensions and alterations to buildings which form part of the assets in the New Länder. The applicable rate is 50 per cent of the purchase/production costs if they occur before 1 January 1995. Under certain conditions, a tax-free investment reserve may be established amounting to the special depreciation allowed in future.
Further tax aids. These amount to conditional relief from trading capital tax and the net worth tax until 31 December 1992, differential rates in the case of the trade tax on earnings, and a tax-free amount in the case of the income tax.

Regional assistance

Measures here consist of investment grants within the framework of the Joint Federal Government/Länder Programme "Improving the regional economic structures" (Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur). Grants up to 23 per cent are possible; assistance for industry-related infrastructure is also included. The programme also includes funds totalling DM 5.7 billion in earmarked funds and commitment authorisations (the same amount from the Länder) within the Joint Federal Government/Länder Programme, as well as additional aid from the European Regional Fund. Finally a special programme is in place entitled "Improving the regional economic structures" with the aim of supplementing the Joint Federal Government/Länder Programme in regions that are particularly affected by structural change; it involves another DM 1.2 billion in 1992 (50 per cent federal and Länder funds each).

Investment loans

Measures include the investment programme of the KfW (Kreditanstalt für Wiederaufbau) totalling DM 12 billion for investment by German and foreign companies in the New Länder. Additional investment loans for SME are available from funds of the KfW, the Deutsche Ausgleichsbank (Dta-Bank) and the Berliner Industriebank (BIB). Investment loans are also available from the KfW to companies that are (still) public.

ERP programmes

In the context of the European Recovery Programme (ERP), there is provision for loans totalling DM 10 billion in 1992 for business start-ups and other investment in the new Länder.

Equity capital assistance programmes

The equity capital assistance programme promotes independent businesses in the New Länder by providing funds for interest rate subsidies etc. amounting to DM 3.5 billion in 1992. In addition, in the context of the promotion of savings to increase equity capital (promotion of business start-ups) assistance is provided for up to 20 per cent of the savings, a maximum of DM 10000.

Loan guarantees

A three-stage programme to provide security for loans is in place, set according to the volume of finance needed. It involves bank guarantees for people setting up in business and for SME and collateralisation of loans up to DM 1 million; deficiency guarantees of the Berliner Industriebank for SME and collateralisation of loans between DM 1 million and DM 20 million; and federal government guarantees for projects totalling more than DM 20 million, whose promotion is in the public interest. Finally, a 40 per cent release from liability for the financing banks by the three major banks (KfW, BIB, Dta-Bank) for loans amounting to a maximum of DM 1 million is also available.

Fig. 2: Support measures for industrial investment in the German New Länder
Source: OECD (1992a), alterations by the authors

Investitionshilfen für das verarbeitende Gewerbe in den Neuen Bundesländern

understandably, fighting the inclusion of Japanese cars produced in Europe.

All in all, the fragmentation of the European automobile market is still strong. This can be seen clearly from the enormous price differences between national markets and the widely different technical regulations. Harmonization of the conditions for competition and the technical regulations is still quite difficult. Some member states, first of all France, are afraid that Japanese manufacturers would benefit most from unified regulations. How far those problems can be solved in a Single European Market remains to be seen. The automobile market is still characterized by a rift between the so-called "open" countries, particularly Germany, and the protectionist countries, most prominently France and Italy. Therefore, a complete opening up of the European automobile market cannot be expected before the end of the decade (KOOPMANN 1991, 211).

In some member countries there has been a growing tendency to financially support important strategic investments or to compensate for losses in the automobile industry. In this process the long-term competitiveness of the sector and common objectives on the European level were often overlocked (Kommission der Europäischen Gemeinschaften 1992a). To restrict national subsidies, the first common regulations for subsidies in the automobile industry were passed by the EC in 1989.

2.3 EC merger control

The EC merger control is another example for differing ideas of national governments, national self-interests, different legal traditions and the problems of transfering national responsibilities to the EC (SCHMIDT 1990, NIEDERLEITHINGER 1989, SCHMIDHUBER 1989).

An agreement on control was achieved by the Council of Ministers by the end of 1989 and has been legally binding since September 1990. A common merger control for major fusions of companies across borders became necessary when in the second half of the 80s the process of concentration of the European economy accelerated in expectation of a Single European Market. According to EC Commission data, based on the operations of the 1000 largest firms in the Community, the total annual number of mergers in industry rose from 117 in 1982/83, to 383 in 1987/88 and to 492 in 1988/89 (TSOUKALIS 1991, 91). This mainly concerned the already strongly "Europeanized" chemical and food industries but transnational transactions also increased in electrical and mechanical engineering, and in the metal-processing, paper and construction industries (FRANZMEYER 1991b, 150). In Belgium, for example, nearly a third of all big companies are in foreign ownership due to takeovers. In 1991 already 43.5% of the Belgian net value added was achieved by foreign companies.

Until the European merger control ordinance came into effect, only France, the UK, Ireland and Germany had a national merger control, whereas the other members did not have such an instrument. Before the decision for an agreement, a fierce political controversy between different governments took place. The quarrel about the transfer of further national responsibilities to the EC was sparked off by three main questions (SCHMIDT 1990):

- What should be the minimal size from which border crossing mergers should be controlled (so-called "pick up-threshold")?
- What are the reasons to prohibit a border crossing merger, i. e. should the criteria for intervention be purely competition-oriented or should they be a mixture of competition-oriented and industrial-political ones?
- What should happen if, in case of an imminent market dominating position, the criteria for intervention are not met from a supranational point of view, but from the national point of view (i. e. the discussion about the remaining national responsibilities)?

Differing conceptions appear particularly in the question of the intervention criteria. Partly they stem from different approaches to the respective national anti-trust laws. Thus, there were and still are diverse views as to which degree industrial-political criteria for decision making should be included in the European merger control. In particular, there were the opposing examples of the German anti-trust law and, in contrast, the fundamentally different French and British ones.

The French and the British anti-trust laws include competition-oriented as well as economic and social-political criteria into their framework of one-stage decision-making process ("public interest"/"bilan-économique" approach). The German anti-trust law, however, has a two-stage process and, overall, a more competitive orientation as it serves mainly the avoidance of monopolist and oligopolist structures. One major characteristic of the German anti-trust law is a distinct institutional and conceptual division between the Federal Anti-Trust Commission and the Federal Minister for Economic Affairs. The Anti-Trust Commission decides solely according to criteria of market competition. However, the minister can override their decision and give permission for a merger if it is considered advantageous for the whole of the economy and the whole of the society. In sharp contrast, French economic policy understands merger control mainly as a means of industrial policy for the creation of market control rather than as a means for maintenance and safeguarding of competitive market structures. The British idea, on the other hand, has come closer to the German view in recent years.

During the negotiating process there was strong German and British resistance against an EC merger control being too much oriented on aims of industrial

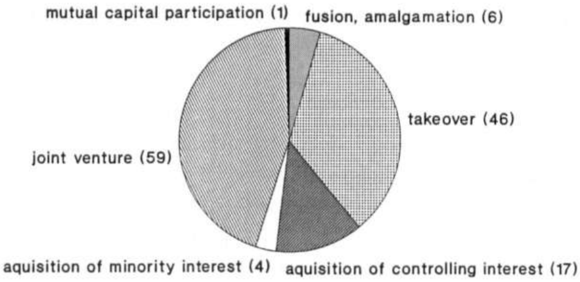

Fig. 3: EC merger control under new EC law: all mergers September 1990 to December 1992 by type of merger (n = 133)

Source: Bundeskartellamt, unpublished data

Europäische Fusionskontrolle nach neuer EG-Fusionskontrollverordnung: Zusammenschlüsse zwischen September 1990 und Dezember 1992 nach Zusammenschlußarten (n = 133)

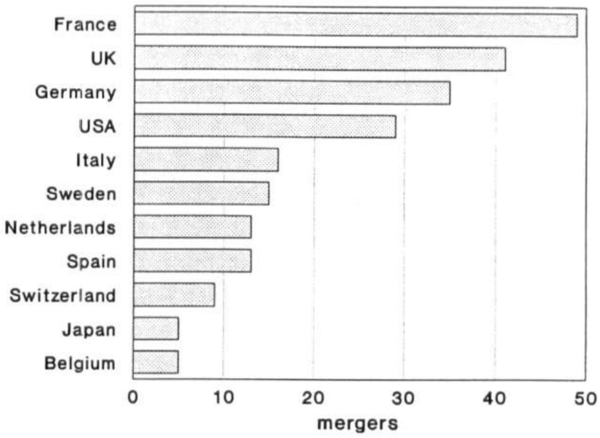

Fig. 4: EC merger control under new EC law: mergers September 1990 to December 1992 by nationality of firms involved

Source: Bundeskartellamt, unpublished data

Europäische Fusionskontrolle nach neuer EG-Fusionskontrollverordnung: Zusammenschlüsse zwischen September 1990 und Dezember 1992 nach Nationalität der beteiligten Unternehmen

policy. The Council of Ministers, however, at the end of 1989 agreed on a compromise, in which the French idea, backed by the EC Commission, features dominantly. Therefore, control of planned border crossing mergers above the pick-up threshold lies exclusively with the EC Commission and not with an independent European Anti-Trust Commission. The actual examination of mergers can now take place according to criteria of market structures and according to criteria of industrial policy. It is mainly oriented towards a one-stage process borrowed from British and French laws. The compromise was possible because:

- the pick-up threshold triggering off the EC process was put up relatively high[3] so that many cases are dealt with by national law;
- regulation of the remaining national responsibilities, which are to be reexamined together with the pick-up threshold after four years of practice, can only be changed unanimously, i. e. not without Germany's consent.

Within the first 28 months under the new EC merger control 133 cases of mergers were recorded in Brussels. Most of them were joint ventures or takeovers (Figure 3). The majority of the recorded mergers were cross-border mergers (76%), with French, British and German firms dominating the geographical pattern (Figure 4 a. Table 4). While British firms provide favourite targets for non-European predators, cross-border mergers of French and German firms were predominantly intra-European. Especially the merger behaviour of French firms is quite consistent with the strong 'Europeanization' of French industrial policy and the intended creation of Euro-Champions. On the other hand, the strong presence of German firms in inter-European trade was not quite matched by similar activity in terms of cross-border mergers and alliances (Tsoukalis 1991, 94).

Up to now only one merger was refused under EC law. The joint takeover of De Havilland by the French and Italian aircraft manufacturers Aerospatiale and Alenia was prohibited because of an expected market domination for 'regional turboprop-aircrafts'. This first refusal under the EC merger control caused considerable attention not only within the industry but also within the wider public.

It is too early to pass a final judgment on the effectiveness of the European merger control. The question whether EC merger control will be more oriented towards criteria of industrial-political intervention or of competition certainly depends on decisions of the Brussels' bureaucracy.

3 Common approaches for an European industrial policy

As has been shown by the case studies, there are considerable differences in national interests concern-

[3] ECU 5 billion in worldwide turnover, at least ECU 250 million in EC turnover of two participating companies, except if, respectively, two thirds or more are made in one single member state.

Table 4: EC merger control under new EC law - all mergers September 1990 to December 1992 by industry

Europäische Fusionskontrolle nach neuer EG-Fusionskontrollverordnung - Zusammenschlüsse zwischen September 1990 und Dezember 1992 nach Branche

Industry	No.	%
Food (including production, processing, packaging), retail and wholesale trade, services	35	26
Finance and insurance	15	11
Electronics, communications, computer	13	10
Motor vehicles and supplying industry, rail cars	13	10
Chemicals, pharmaceuticals, cosmetics, paper, glass	12	9
Oil, gas, petrochemicals	6	5
Aircrafts, aviation	6	5
Iron, steel, metals, mechanical engineering	5	4
Media and entertainment	3	2
Construction industry, construction machines	3	2
Other	22	16
Total	133	100

Source: Bundeskartellamt, unpublished data

ing questions of industrial policy. There is no lack of common strategic thinking and phrasing of aims at EC level, but the decision making structure of industrial policy has been fragmented thus far. Exceptions are, apart from agriculture, just the common research and technology support and the coal and steel field.

At present a rather pragmatic line of industrial policy is pursued by the EC Commission. There is little doubt that the completion of the common market requires a turning to horizontal policies and activities which are neutral in regard to competition. This is consistent with the declared changes in policy by the Commission in recent years. There is now a basic consensus in rejection of protectionism and interventionist policies. Furthermore, common aims such as support for key technologies and research are relatively undisputed.

While the EEC Treaty did not provide for anything specifically called industrial policy, there have been policies to correct what were seen as inadequacies or undesirable effects of the markets. But whereas trade and competition policy have for a long time been important pillars of the EC, a first comprehensive concept of industrial policy for the EC was not presented by the Commission before the end of 1990 (Kommission der Europäischen Gemeinschaften 1990a). Since than, a number of communications refering to specific industry sectors (electronics and information technology, biotechnology, textile and clothing industries, maritime industries, automobile industry) have followed.

At the Maastricht summit in 1991 general principles for a common line of industrial policy were defined (Keller 1992, art. 130 in the European Union Treaty). It gives the Community as well as the individual member states the responsibility to create the necessary preconditions for the competitiveness of industry. The concept for industrial policy, as well as art. 130 of the Maastricht Treaty are deliberately competition-oriented and include the following central goals:

- facilitating the adjustment of industry to structural change
- stimulation of conditions favourable to the formation and further development of businesses, especially SME
- stimulation of conditions favourable to co-operation between enterprises
- fostering a better use of industrial-political potential in the fields of innovation, research and technological development.

The treaty also contains an obligation for the member states to mutual consultation and coordination in matters of industrial policy. This obligation could lead to a restriction of the national scopes of action in the long run. How far this will be realized depends on the future of the Maastricht treaty and the degree to which the EC Commission will use its right of coordination. Critics suspect that the rather unspecific and general wording of art. 130 could be used for a more interventionist and sectoral industrial policy (Monopolkommission 1992, 18).

There is no doubt that the Commission will gain considerable importance because of its ability to influence national industrial policies. Therefore, in the foreseeable future, a further superposition of national regulations by common goals will take place, even if there is now considerable uncertainty about the future of the community and the Maastricht treaty in particular.

4 *Differing strategies and traditions in industrial policies*

Motives as well as industrial-political instruments still show very distinct national features in spite of the common goal of the Single European Market. Their

Table 5: Characteristics of industrial policies in the EC and selected EC countries in the late 80s and early 90s
Merkmale der Industriepolitik der EG und ausgewählter EG-Staaten in den späten 80er und frühen 90er Jahren

	Belgium	France	Germany	Italy	United Kingdom	EC
Significance of non-sectoral strategies	●	●●	●●	●●	●●●	●●
Integration of instruments	●●	●●●	●●	●●	●●	●
Continuity of institutions and instruments	●●	●●●	●●●	●	●	●●●
Degree of nationalization	●●●	●●●	●*)	●●●	●●	●
Significance of defence awards	●	●●	●	●	●●	●
Support for high technology industries	●	●●●	●●	●	●●	●●●
Success - high technology industries	●	●●	●●	●	●	●●
Support for sunset industries	●●●	●●	●	●●	●●●	●●
Success - sunset industries	●	●●	●	●	●	●
Competition policy/merger control	●	●	●●	●	●	●●
Encouragement of private initiative	●●	●●	●●●	●●	●●●	●
Regional dimension of industrial policy	●●	●●	●●●	●●●	●●	●●
Social consensus/industrial relations	●●	●●	●●	●	●	●
Export promotion	●	●●	●	●●	●●	●
Import restrictions	●●	●●	●	●●	●	●●

●●● important/large ●● medium ● unimportant/irrelevant/little
*) Temporarily high in East Germany, de-nationalization in progress
Source: FRANZMEYER et al. (1987), alterations and additions by the authors

basic characteristics are to be shown briefly in the examples of five countries. These examples include the four biggest European economies - Germany, France, the UK and Italy - and Belgium as an example of a smaller EC country. Table 5 shows the main characteristics of the industrial policies of those countries and of the EC as a whole.

Although the various EC countries use all comparable industrial-political instruments, their emphasis, however, is quite different. The main motives of industrial policy and individual aims show important differences according to the respective national problems, the way a country sees itself and the ruling party (FRANZMEYER et al. 1987). Within the EC the more interventionalist line of France and Italy and the more competition-oriented line of the UK, the Netherlands and Germany can be observed concerning the question of industrial policy (The Economist 1992).

The diverse motives of industrial policy partly originate in very different traditions of economic policy and institutions. Especially in France, the specific mercantilistic tradition going back to Colbert plays a major role in industrial policy (OPITZ 1992). This is reflected in the main motives as well as in the institutional framework. Industrial-political aims like "market control" or "industrial significance" are far more important in the French approach than they are in Germany or the UK. French industrial policy sees the creation of powerful companies with a great deal of market control combined with economies of scale as two major aims. The nationalization of big industrial complexes in strategic fields of the national economy, mainly after 1980, is an important sign of this. At the end of the 80s, more than 30% of France's industrial production came from national enterprises (CRESPY 1991, 36). For a long time French industrial policy was dominated by large-scale technological programmes. Only in recent years has SME support gained importance.

In the past interventions motivated by industrial policy and nationalization of central fields of industry played a significant role in Italy and Belgium. They are both countries with severe regional problems (Mezzogiorno, parts of Wallonia). Moreover, in the last two decades defensive, structure-conserving strategies maintained (NACKAERTS 1991, FRANZMEYER et al. 1987).

In contrast to the more interventionist industrial policies of France, Italy and Belgium, the strategies of industrial policy in Germany and the UK are much more oriented towards a reduction of defensive interventions and towards an increase of productivity especially in SME. The British and the German governments mainly emphasized support of private initiative and deregulation on the national as well as on the EC level (CLASSEN 1991). Particularly in the UK, the industrial decline at the beginning of the 80s was an important starting-point for liberalization and a thorough reorientation of industrial policy.

There are, however, pronounced differences between the UK and Germany concerning problems of industrial policy and its priorities. For the UK the restoration of national competitiveness, rehabilitation and denationalization as well as the revival of private initiative are aims of major importance. For Germany, on the other hand, overcoming the economic and employment crises in the New Länder is the top priority since 1990.

A major role in the industrial development of East Germany is played by the "Treuhand-Institute", at present the biggest state holding in the world, which was created in 1990. As a public institution its task is the restructuring of the East German economy and the creation of a framework for market economy. The Treuhand-Institute will, according to optimistic plans, have denationalized most of the former GDR enterprises by the end of 1993. To accomplish its task, the Treuhand-Institute's work is highly publicly subsidized. This is also necessary to cushion the social consequences and the consequences for employment of the progressing privatization. Since autumn of 1991 the Treuhand-Institute has also been under EC subsidy control (Schütterle 1991).

Especially the necessarily high financial regional aids and its decentralized structure protected Germany from some negative effects of a competition-oriented strategy as it happened in Britain. On the other hand Germany could not profit as much from direct foreign investment, mainly Japanese, as Britain did (OECD 1992b). But in Germany, which as a whole is more welfare-oriented, social and regional problems did not reach the same extent as in Britain, especially during the Thatcher-era. Furthermore, the federal structure with its institutional decentralization also promoted positive effects of competition between the various political and economic systems on the Länder level. This substantially contributed to a relatively balanced and competition-oriented economic development.

Although there are big differences in several fields of industrial policy between the diverse national strategies, there is also some common ground. The creation of a framework of conditions favourable for SME and support of R&D within enterprises have become central aims of industrial policy in almost all countries since the mid-80s. It has been realized that small- and medium-sized enterprises can adjust more easily to changing market conditions once they have become innovative (Sengenberger, Loveman a. Piore 1990). Because SME exist also outside big economic agglomerations, they are an important element of regional policy. Support of innovation, R&D and SME now have a central position in industrial policy. As these are fields with widespread agreement, they form an important link in a common European policy.

5 *Conclusion*

If we compare the industrial policies of various EC countries, it becomes clear that, at least up to now, no uniform way of industrial policy exists. Aims as well as means differ considerably between member countries. This fact and the lack of a standardized set of instruments make European industrial policy a highly complex field of politics which is difficult to comprehend for outside observers. Since the mid-80s though, greater endeavours in all EC member states for a less defensive and structure conserving but a more offensive and innovation-oriented policy emerge. National efforts in general are increasingly directed at support of R&D and the ability for innovation in SME. Apart from those industrial-political aims, the attempts to create a good starting position for national economies towards the Single European Market was an important factor.

As can be shown, national governments often represent differing viewpoints in sometimes shifting coalitions of interest depending on the problem in question. In spite of increasing European integration the EC is neither concerning industrial structures nor concerning industrial policy a homogeneous alignment of countries. On the contrary, it includes states and governments with diverse aims and concepts of industrial policy.

Generally speaking, there are two different views in the EC. On the one hand, there are the more interventionist-oriented countries of the Southern EC area (including Spain, Greece, Portugal and in addition Belgium), led by France and Italy. On the other hand there is a more competition-oriented line revolving around the UK and Germany in the North Western area of the EC (including the Netherlands and Denmark). But a simple division into interventionists on the one and anti-subsidists on the other hand cannot be made. Even the UK and Germany – whose governments like to present themselves deliberately as anti-subsidist and as promoters of free competition – are sometimes in favour of protectionist and interventionist positions. This is the case when individual questions concerning their country's self-interests occur. The high amount of regional aid in Germany is just one example.

All national governments within the EC try to introduce as many of their basic ideas into official EC policy as possible. Even after 1992 the diverse national ideas about industrial policy will have considerable importance and will obstruct a common industrial policy of the EC. The rather careful and general wording of the European Union Treaty concerning industrial policy reflects those difficulties.

Certainly a complicated juxtaposition of national and common industrial policies will remain in the EC in the foreseeable future. The same is true for the diverse regional, national and sectoral regulations. Also the different national regulations concerning foreign trade and competition will remain at least partly existent in the years to come. The degree to which this will happen among other things depends on the process of ratification of the Maastricht Treaty. In any case better coordination of the various political fields and of individual measures should be a top priority aim for the EC.

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