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SUBSIDIES

Notification Pursuant to Article XVI:1 of the GATT 1994
and Article 25 of the Agreement on Subsidies
and Countervailing Measures

EUROPEAN COMMUNITIES

Addendum

The following addendum to the notification of the European Community relates to subsidy programmes of **Spain**.

SPAIN

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Note: Figures are expressed in pesetas and euros, according to the official exchange rate:
1 euro: 166.385 pesetas.

I. FISHERIES

A. 1998 BUDGET – CO-FINANCED PART OF NATIONAL AID

Pursuant to EU Council Regulation 2792/99 of 17 December 1999 (Official Journal of the EC L337 99), setting out the criteria and conditions for the communities' structural measures in fisheries, aquaculture and the processing and marketing of products thereof, IFOP (Royal Decree 3448/2000 of 22 December, published in the Official Journal of Spain (BOE) on 23 December 2000), the following aid has been granted:

Individual compensatory premiums: 46.59 million pesetas (0.28 million euros) were transferred to the Autonomous Communities. 20.18 million pesetas (0.12 million euros) were paid directly to individual fishermen.

Subsidies for the improvement of fishing: 158.39 million pesetas (0.95 million euros).

Promotion of Aquaculture: 219 million pesetas (1.32 million euros) were transferred to the Autonomous Communities.

Marine cultivation plans: 113 million pesetas (0.68 million euros) were transferred to the Autonomous Communities.

Reorganization and renovation of the fishing fleet:

- Building and modernization: 1963.03 million pesetas (11.79 million euros);
- definitive stoppage: 42.32 million pesetas (0.25 million euros);
- temporary stoppage: 8,614.37 million pesetas (51.77 million euros).

Conversion of the fishing fleet:

- Establishment of joint ventures: 562.48 million pesetas (3.38 million euros);
- temporary Associations of Enterprises: 34.98 million pesetas (0.21 million euros).

Compensatory earlier retirement as a result of the reorganization of the fishing fleet: 36.61 million pesetas (0.22 million euros) were transferred to the Autonomous Communities.

- (a) Experimental fishing pilot schemes: 225.14 million pesetas (1.35 million euros).

B. AID TO SHIPOWNERS AFFECTED BY THE STOPPAGE OF FISHING

1. Title of the programme

Special economic aid to shipowners affected by the stoppage of fishing

2. Period covered by the notification.

Financial year 2000

3. Policy objective and/or purpose of the subsidy

In accordance with EU Council Regulation 2792/92, Royal Decree 3448/2000 was prepared on 22 December (BOE 23.12.2000). Pursuant to Article 33.5 of this Royal Decree, assistance is provided for the temporary stoppage of activities of fishing fleets caused by unforeseen and non-repetitive events, and the requisite aid is granted to owners of fishing vessels affected by the non-renewal of the Fisheries Agreement between the European Union and Morocco in 2000.

4. Authority

Orders of 29.11.1999, and 3.5.1999

5. Form of the subsidy.

Non-repayable subsidies

6. To whom and how the subsidy is provided

Shipowners in the fishing sector, through partner agencies

A variable amount is granted depending on the Gross Registered Tonnage (GRT) or Gross Tonnage (GT), in accordance with table 2 of Royal Decree 696/1996, of 26 April.

7. Subsidy per unit or total amount of the subsidy

Aid to ship owners	No. of vessels
2,095.47 million pesetas (12.59 million euros)	365

8. Duration of the subsidy

For the whole of the year 2000

9. Statistical data permitting an assessment of the trade effect of the subsidy

This subsidy does not have any effect on trade, since the objective of the programme is to provide compensation to shipowners that cannot fish during certain periods.

II. MINING**A. MINING (OTHER THAN ENERGY)****1. Title of the subsidy programme**

Development of non-energy mining

2. Period covered by the notification

2000

3. Purpose of the subsidy

Development of the non-energy mining subsector, ore prospecting, mining and processing, as well as R+D in these fields and, in some cases, environmental rehabilitation of former mining sites.

4. Authority

Ministerial Order of 8 April 1997 (OJS 24.4.1997)

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

Enterprises, associations of enterprises or institutions whose object is to promote and develop the use of non-energy mining raw materials are eligible for the subsidy.

Mining investment subsidies are confined to zones defined by the EU Commission as Objective 1, since the assistance under this programme in this case is for regional development.

This aid is contingent on the applicants meeting their tax and social security obligations, and the recipients must produce documents showing that the subsidized activity has been carried out.

7. Amount of the subsidy

755 million pesetas (4.54 million euros)

The maximum aid is 20 per cent of subsidizable investment.

8. Duration of the subsidy

The programme lasts for five years, until 31 December 2001.

9. Statistical data on the trade effects of the subsidy

The programme has no trade effects, because of its small scale compared with the size of the sector (annual turnover of between 200,000 and 300,000 million pesetas), and the high number of recipients, since the programme has assisted 54 enterprises.

III. INDUSTRY**A. PROMOTION OF THE ECONOMIC AND SOCIAL SECTORS OF THE AGRI-FOOD INDUSTRY****1. Title of the subsidy programme**

Promotion of the economic and social sectors of the agri-food industry.

2. Period covered by the notification

2000

3. Policy objective and/or purpose of the subsidy

To promote the implementation of the Technical Assistance and Management Plans for the economic and social sectors of the agri-food industry.

4. Authority

Order of 4 July 1985 establishing subsidies for technical assistance and management plans for the agri-food industries.

5. Form of the subsidy

Non-repayable grant

6. Recipients/beneficiaries

There are a total of 25 beneficiaries. They are: associations of enterprises in the industrial agri-food sector, associations of agricultural producers, trade unions in the agri-food industry, professional associations, or foundations and other organizations whose objectives are connected with the agricultural and food industry.

7. Amount of the subsidy

Total amount for 2000: 118 million pesetas (0.71 million euros)

8. Duration of the subsidy

Specific, when the requirements are fulfilled.

9. Statistical data permitting an assessment of the trade effects of the subsidy

No information is available to permit such an assessment, but the effect would appear to be minimal in any case.

B. AID TO SHIPBUILDING

1. Shipbuilding subsidies

A.1 Title of the subsidy programme

Shipbuilding Subsidies

A.2. Period covered by the notification

2000

A.3. Purpose of the subsidy

The fundamental aim of community and national policy is to ensure that the shipbuilding sector remains competitive on the world market.

Since other countries continue to apply aid and/or measures that distort free competition in the shipbuilding sector, in order to compete on the international market, Community shipyards must have access to operational aid (limited by a common ceiling: 9 per cent or 4.5 per cent, depending on

whether or not the value of the ship to be built exceeds 10 million euros) and restructuring aid (for investments which do not imply an increase in capacity, total or partial closure of facilities and research and development).

A.4. Authority

Royal Decree 442/1994, of 11 March, (BOE 96 of 22.4.1994) on shipbuilding subsidies and financing, amended by Royal Decrees 1395/1995, 1562/1997 and 2600/98 of 4.12.98 (BOE 301 of 17.12.98).

A.5. Form of the subsidy

Non-repayable subsidy

A.6. To whom and how the subsidy is provided

The subsidy is paid to shipyards building metal hull vessels of over 100 gross registered tonnes, with the exception of fishing vessels since 19 October 1997.

The subsidy is provided once the relevant construction or conversion contract has come into effect. Payments are made as the ship is built or converted, subject to provision being made in the annual budget, which means an average delay in payments of approximately six months to one year.

A.7. Amount of the subsidy

Total subsidy granted in 2000: 28,791 million pesetas (173.04 million euros).

A.8. Duration of the subsidy

The period of application of the programme is the same as that provided for in EC Council Regulation 1540/98 of 29 June 98 (OJEC, 18 July 98).

A.9. Statistical data on the trade effects of the subsidy

The subsidies are granted under the seventh directive on aid to shipbuilding applicable in all countries of the European Union. Nevertheless, in 1997 shipbuilding in the European Union represented 14.4 per cent of the global total, as opposed to 19.4 per cent in 1996, while at the same time the shares of Japan and Korea rose from 36 per cent and 21.4 per cent respectively in 1996 to 39.1 per cent and 27.5 per cent in 1997. Consequently, these subsidies have not increased the European Union's share of the global market.

2. Interest subsidy for shipbuilding loans

B.1. Title of the subsidy programme

Interest subsidy for shipbuilding loans

B.2. Period covered by the notification

2000

B.3. Purpose of the subsidy

The same objectives as those described in section 3 above.

B.4. Authority

Royal Decree 442/1994 of 11 March (BOE 1996 of 24 April 1994) on shipbuilding subsidies and financing, amended by Royal Decrees 1395/1995, 1562/1997 and 2600/98 of 4.12.98 (BOE 301 of 17.12.98).

B.5. Form of the subsidy

Interest subsidy

B.6. To whom and how the subsidy is provided

Domestic shipbuilders or those domiciled in the European Economic Area and, since 19 October 1997 under certain conditions, shipbuilders domiciled outside the European Economic Area, are eligible for this subsidy. It consists of payment of up to 3 percentage points of the interest on shipbuilding loans granted by domestic or foreign financial entities. The subsidy is paid throughout the term of the loan (8.5 to 14 years), subject to provision being made in the annual budget, which means that there is a three to nine months delay in payments.

B.7. Amount of the subsidy

Total subsidy granted in 2000: 401 million pesetas (2.41 million euros).

B.8. Duration of the subsidy

The period of application of the programme is the same as that provided for in EC Council Regulation (EC) 1540/98 of 29 June 1998 (OJEC 29 June 1998).

B.9. Statistical data on the trade effects of the subsidy

The comments made in A.9. also apply to this section, since the subsidy under the interest rate subsidy is deducted from the common maximum ceiling, 9 per cent or 4.5 per cent depending on whether or not the value of the vessel to be built exceeds 10 million euros.

C. TECHNICAL RESEARCH DEVELOPMENT PROGRAMME (PROFIT)

1. Title of the subsidy programme

Technical research development programme (PROFIT)

2. Period covered by the notification

2000

3. Purpose of the subsidy

This is a support programme for research and development projects. The PROFIT programme is designed to help create favourable conditions for an increase in the capacity of enterprises to absorb technology, the consolidation of research and development in rapid-growth sectors, and the development of research and development in technology-based enterprises, especially those concerned with advanced technology.

4. Authority

Order of 7 March 2000, published in the BOE on 9.3.2000, setting out the basis, support arrangements and management of the technical research development programme (PROFIT), included in the national scientific research, development and technological innovation plan (2000-2003).

5. Form of the subsidy

Non-repayable subsidy and loans at preferential interest rates

6. To whom and how the subsidy is provided

Enterprises, groups or associations of enterprises, private non-profit-making research centres, public research agencies and other public bodies are eligible for the subsidy.

The annual amount of PROFIT aid is available to potential recipients which apply for subsidies in order to carry out a project in various technological areas.

The aid is granted subject to the prior study and assessment of applications by a committee. The amount of the subsidy in relation to the costs of the projects may not exceed the limits of state aid authorized under European Union directives.

7. Annual amount of the subsidy

The subsidies paid under the PROFIT programme in 2000 amounted to 15,252 million pesetas (91.67 million euros). The loans at preferential interest rates granted amounted to 40,298 million pesetas (242.20 million euros). The number of recipient projects reached 1,315.

8. Duration of the subsidy.

The PROFIT Programme will last for four years, from 2000 to 2003.

9. Statistical data on the trade effects of the subsidy.

Given the nature of this programme, which mainly concerns the development of technology and industrial quality, and is open to enterprises in all industrial sectors and services, the trade effects are minimal, for the aid is distributed over virtually the whole of industry.

IV. SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)**A. SME COMPETITIVENESS AND CONSOLIDATION PLAN****1. Title of the subsidy programme**

SME Competitiveness and Consolidation Plan

2. Period covered by the notification

2000

3. Policy objective and/or purpose of the subsidy

The SME Competitiveness and Consolidation Plan provides for a series of support measures and development activities for small and medium-sized enterprises (SMEs), with a view to consolidating enterprises and enhancing competitiveness, such as the following measures:

3.1 Information society

Objective: The subsidies provided for in this regard are intended to support projects designed to ensure that SMEs are fully integrated into the information society through:

- (a) The improvement of production, marketing, information and management processes in SMEs, incorporating communications and information technologies.
- (b) Support for the installation and use of data transmission services (electronic commerce, telecommuting, portals, etc.)

3.2 Innovation in business methods

Purpose: This measure is designed to promote and support projects used to incorporate a culture of innovation through design, the introduction of quality systems, cooperation between enterprises, innovation in management and organizational processes in SMEs, by means of the following categories of support:

3.2.1 Design

Purpose: Projects to be used to incorporate, include or apply design technology in SMEs are eligible to receive support.

Support will be given to finance projects designed to:

- (a) Improve new or existing products and/or services. The design of products with a short life-cycle (of less than one year) is excluded, with the exception of products which involve a new line of activity for the enterprise.

Improve the marketing, promotion and communication of products and services, design of corporate identity, development of trademarks, packing and packaging, electronic design, design of spaces and aspects of communication.
- (b) Improve design management in SME, situation analysis, design seminars and the incorporation of more effective design management methods.

3.2.2 Cooperation networks between enterprises

Purpose: The aim is to promote and strengthen networks between enterprises with a view to assisting SMEs to acquire the means to adapt to the level of competition required in the global marketplace.

Support is to be used to finance projects designed to:

- (a) Identify possible groups of related enterprises and their collective needs.
- (b) Carry out viability studies of possible measures, together with their eventual implementation, with a view to improving the competitive position of certain groups.

- (c) Implement joint measures to secure cooperation agreements between enterprises, agreements with a view to improving their competitive position.

3.2.3 Quality systems

Purpose: The support is to be used to finance projects designed to introduce environmental quality and regeneration systems in SMEs, through projects designed to:

- (a) Develop standardization processes for the various non-industrial business sectors.
- (b) Design and introduce quality control systems in SMEs in the commercial, construction and services sectors, through situation analysis and advice in the installation of such systems, designed to enable them in the short term to acquire a quality certificate issued by an approved certification authority.

SMEs will be entitled to this support either on an individual basis or through projects submitted by intermediate bodies for a group of enterprises. For individual enterprises, the project will be taken as complete when the enterprise provides proof that it has initiated the certification process.

3.2.4 Process innovation: management and organization in SMEs

Purpose: The support is to be used to finance projects designed to:

- (a) Provide technical support to enterprises to carry out situation analysis and to incorporate innovatory processes and management and organizational methods.
- (b) Provide advice on the installation of new technologies.

4. Authority

Royal Decree 582/2001, of 1 June 2001 (BOE 2-6-2001). Pursuant to Article 153 of the General Budget Law, credits released in one year may be granted until 31/12/2001.

5. Form of subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

Small and medium-sized enterprises and intermediate bodies are eligible for this aid. Intermediate bodies are deemed to be:

- (a) Any public, semi-public or private organizations which, on a non-profit-making basis, and with their own legal personality, habitually provide business support services to SMEs.
- (b) Bodies in which the majority of the capital is state-owned and which habitually provide business support services to SMEs, provided they are engaged in projects consistent with the measures in the Annex and that they do not pursue these projects for profit-making purposes.

A small or medium-sized enterprise (SME) is deemed to be an economic unit with natural or legal personality which, at the time of the application, meets the following requirements:

- (a) Employs not more than 250 workers.
- (b) Has either: an annual turnover of not more than 40 million euros, or an overall balance of not more than 27 million euros.
- (c) Twenty-five per cent or more of its capital or shares do not belong to another enterprise, or have not been jointly acquired by other enterprises which do not conform to the definition of an SME.

Before receiving this subsidy, beneficiaries must show that they have complied with their tax and social security obligations.

They must also show that the subsidized activity has actually been carried out.

7. Amount of the subsidy

5,915 million pesetas (33.55 million euros), allocated according to the territorial scope laid down in Article 153 of the Revised General Budget Law; costs may also be met, with the opportunity to acquire commitments until 31.12.2001.

8. Duration of the subsidy

The programme will last for the period 2000 – 2006.

9. Statistical data permitting an assessment of trade effects of the subsidy

In view of the purpose of this subsidy programme, there are no trade effects.

B. ARTE/SME PROGRAMME

1. Title of the subsidy programme

ARTE/SME programme under the operational programme of the community SME initiative.

2. Period covered by the notification

2000

3. Purpose of the subsidy

Aid for the financing of advanced telecommunication services projects of common interest to small and medium-sized enterprises.

4. Authority

Ministerial Order of 31 July 1995 (BOE 21 August 1995)

5. Form of the subsidy

Non-repayable subsidy

6. To whom the subsidy is provided

Only legally established non-profit-making public or private entities are eligible for the subsidy.

Zones classified as Objective 1 under the European Regional Development Fund (ERDF) are priority zones for action.

The aid is contingent upon applicants meeting their tax and social security obligations and the recipients must produce documents showing that the subsidized activity has been carried out and that the relevant costs have been paid.

7. Amount of subsidy

Subsidies approved in 2000: 1,477 million pesetas (8.88 million euros).

Around 70 per cent of this amount was used to acquire computer equipment (hardware and software), to develop customised software and to purchase telecommunications terminals (modems, PCs) for use by SMEs. The remainder was used for communications costs and costs related to feasibility studies, promoting the use of advanced telecommunications services and providing technical assistance.

8. Duration of the subsidy

The ARTE/SME programme lasted for five years, remaining in effect until June 1999 for the submission of new projects. Nevertheless, subsidised projects could finance costs relating to the programme until 31.12.01, in accordance with a decision issued by the Commission on 26.07.96, concerning support issued by the European Regional Development Fund (ERDF) for an operative programme for Spain, pursuant to Article 5 of the Community SME initiative, which states, "the deadline for expenditure on costs relating to these activities will be 31 December 2001".

9. Statistical data permitting an assessment of the trade effects of the subsidy

The aid regime has no trade effects due to its small scale in comparison with the scale of trade and the large number of SMEs that have indirectly benefited from this aid, given that the programme is multi-sectoral.

V. REGIONAL SUBSIDIES

A. REGIONAL ECONOMIC INCENTIVES SCHEME

1. Title of the subsidy programme

Regional Economic Incentives Scheme

2. Period covered by the notification

2000

3. Policy objective and/or purpose of the programme

The purpose is to promote economic development in the most disadvantaged areas. The objective of regional incentives is to foster business activity and to encourage firms to locate in previously determined areas, so as to reduce economic disparities on Spanish territory, secure a more equitable spread of economic activity and strengthen the regions' potential for internally generated development.

4. Authority

A mandate under Article 40.1 of the Spanish Constitution, which provides an obligation for authorities to foster favourable conditions for a more equitable distribution of regional income. Similarly, Article 138 provides that the State shall establish a suitable and fair economic balance among the various parts of Spanish territory.

The legislative basis is: Law 50/85 of 27 December, on regional economic incentives to remedy inter-regional economic imbalances.

Regulation adopted by Royal Decree 1535/1987 of 11 December, and amended by Royal Decree 897/1991 of 14 July, Royal Decree 302/1993 of 26 February, Royal Decree 2315/1993 of 29 December and Royal Decree 78/1997 of 24 January. It was approved by a European Commission Decision of 1 June 1987.

13 Royal Decrees delimiting the economic promotion areas, some amended.

5. Form of the subsidy

Non repayable subsidies, granted for production investments and calculated on the investment approved by the administration.

6. To whom the subsidy is provided

Once it is approved, the subsidy is notified individually to the persons concerned in an individual resolution establishing the basic data for the project, including the name of the recipient enterprise that has applied for it.

The aid is paid once the relevant Autonomous Community has issued a report substantiating full execution of the project and on fulfilment, within the specified periods, of the conditions required in the relevant individual resolution, accepted by the beneficiary beforehand. Enterprises may apply to receive the subsidy in instalments provided they produce evidence that the part of the investment for each instalment has been made together with adequate guarantees against failure to complete.

7. Amount of the subsidy

General State Budget for 2000: 44,676.83 million pesetas (268.51 million euros).

8. Duration of the subsidy

The scheme will continue as long as the reason for introducing it, namely the imbalance in regional development, persists.

9. Statistical data permitting an assessment of the of trade effects of the subsidy

As to the statistical data permitting an assessment of trade effects, it should be noted that, since the subsidies take the form of capital for production investment in disadvantaged regions, the principle of free competition is not deemed to be jeopardized.
