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and Countervailing Measures

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SUBSIDIES

Updating Notifications 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 **Germany**.

GERMANY

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Interest Rate Grants to Finance Orders to German Shipyards ("Werfthilfen")

1. Name of the subsidy scheme or ad hoc subsidy

Interest-Rate Grants to Finance Orders to German Shipyards ("Werfthilfen")

2. Form of the subsidy

Grant.

3. Subsidy per unit

Total amount of assistance provided in 1998:

Support approved: DM 4.8 million

Average level of support per ship:

From support approved in 1998: DM 0.8 million

4. Objective and/or purpose of the subsidy

The eighth shipyard assistance programme (VIII. Werfthilfeprogramm) exists to provide non-repayable interest-rate grants under the relevant OECD agreement regarding export credits for ships and the relevant EC directives on shipbuilding subsidies.

Legal basis: Commitment authorizations in the Federal budget;
Guidelines from the Federal Ministry of Economics.

Modes of payment: Those receiving the grants are shipbuilding companies in the Federal Republic of Germany.

Support is given to the construction and reconstruction of high-technology marine vessels (merchant vessels), respecting the OECD minimum conditions:

8.5 year term

20 per cent advance payment

Minimum interest rate of 8 per cent p.a.

In addition, grants can be given for loans at conditions more favourable than those described above if this appears justified, particularly in terms of development policy.

The support serves to lessen the cost of loans to the clients of German shipyards, thus achieving a partial adjustment towards the international market conditions.

The assistance is made available in the form of tranches in the eighth shipyard assistance programme.

5. Duration of subsidy and other time-limits attached to it

Currently: 8th tranche (for Western German shipyards) for delivery years 1993-1998 with support totalling DM 641.5 million.

8th tranche (for Eastern German shipyards) for delivery years 1991-1998 with support totalling DM 471.0 million)

9th tranche (for Western German shipyards) for delivery years 1996-1998 with support totalling DM 350.0 million.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Figures in DM million						
	1992	1993	1994	1995	1996	1997
Production	4,178	4,863	4,686	5,282	5,361	4,954
Imports from outside EC	305	477	333	158	75	111
Exports to outside EC	2,929	3,018	2,411	2,231	1,369	1,965

Figures for 1998 : Production 5,026 Imports 196 Exports 1,911

1. Competition Aid for German Shipyards (Wettbewerbshilfe)1. Name of the subsidy scheme or ad hoc subsidy

Competition Aid for German Shipyards (Wettbewerbshilfe)

2. Form of the subsidy

Grant

3. Subsidy per unit

Total amount of assistance provided in 1998:

Support approved: DM 319.2 million

Average level of support per ship:

From support approved in 1998: DM 3.7 million

4. Objective and/or purpose of the subsidy

The assistance is intended to facilitate the restructuring being undertaken by the shipyards. Grant towards production costs are given, where they are permissible under the relevant EC shipyard subsidies directive.

The programme is funded jointly by the Federal and the Länder Governments.

Legal basis: Commitment authorizations in the Federal and Länder budgets.
Guidelines from the Federal Ministry of Economics.

Modes of payment: Those receiving the grants are shipbuilding companies in the Federal Republic of Germany.

Support is given to the construction and conversion of high-technology marine vessels (merchant vessels). From 1 January 1994, the support rate is 7 per cent of the price in the contract, for ships with a contract price of below 10 million ECU and for conversion work, the rate is 4.7 per cent.

5. Duration of subsidy and other time-limits attached to it

The assistance has been provided over the following period and to the following extent:

For acquisition years:

1987-1990	(Western German shipyards)	DM 1,000 million
1991-1992	(Western German shipyards)	DM 538 million
Up to 1993	(Eastern German shipyards)	DM 803 million
1993-1994	(Western German shipyards)	DM 166 million
1994-1996	(Western German shipyards)	DM 291 million
1995-1996	(All German shipyards)	DM 580 million
1997	(All German shipyards)	DM 270 million
1998	(All German shipyards)	DM 240 million

For orders given after the OECD agreement has come into force, no further assistance will be granted.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Figures in DM million						
	1992	1993	1994	1995	1996	1997
Production	4,178	4,863	4,686	5,282	5,361	4,954
Imports from outside EC	305	477	333	158	75	111
Exports to outside EC	2,929	3,018	2,411	2,231	1,369	1,965

Figures for 1998 : See programme 1

2. Bavarian Regional Programmes in Support of Commerce and Industry

(Responsible level of administration: Free State of Bavaria.)

1. Name of the subsidy scheme or ad hoc subsidy

Bavarian programme in support of commerce and industry (as promulgated by the Bavarian Ministry of Economics, Transport and Technology on 30 May 1997, No. 3540 – III/3a – 52180V).

2. Form of the subsidy

Investment grant.

Interest rate subsidy (to subsidize loans).

3. Subsidy per unit

Total support	<u>1997</u>	<u>1998</u> (DM Million)
Investment grant	95.0	210.4
Interest rate subsidy	13.8	26.5
Assisted investment volume	<u>904.6</u>	<u>2,409.5</u>
Number of assisted companies	177	364

4. Objective and/or purpose of the subsidy

Aid to finance investments in trade and industry to create and secure jobs and training places in assisted areas.

Objective: Improving regional economic structures;
Increasing the economic strength of structurally weak areas.

5. Duration of subsidy and other time-limits attached to it

Unlimited; review before the end of 1999.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Not available. Outside the assisted areas pursuant to the Joint Federal Government/Laender Scheme for the Improvement of Regional Economic Structures, support is restricted to small and medium-sized enterprises (SMEs) within the meaning of the Community Framework on State Aid to SMEs (EC OJ 213/04 of 23 July 1996).

3. Reduction to between 3 and 5 per cent of the rates payable on inheritable land-use rights in the case of projects worthy of special promotion of manufacturing firms depending on the degree of use of the buildings

(Berlin)

1. Name of the subsidy scheme or ad hoc subsidy

Reduction to between 3 and 5 per cent of the rates payable on inheritable land-use rights in the case of projects worthy of special promotion of manufacturing firms depending on the degree of use of the buildings

2. Form of the subsidy

Cutting land costs by granting a reduced rate on land-use rights.

3. Subsidy per unit

Payments: DM 297,332.01 in 1998

4. Objective and/or purpose of the subsidy

Reducing land acquisition costs for the manufacturing industry for regional promotion purposes.

5. Duration of subsidy and other time-limits attached to it

Unlimited.

6. Statistical data permitting an assessment of the trade effects of a subsidy

The effects of the subsidy in accordance with WTO standards cannot be assessed due to the low financial resources.

4. Consolidation programme of the Land Mecklenburg-Western Pomerania on the granting of public financial aid to small and medium-sized commercial and industrial enterprises – special fund to support companies

1. Name of the subsidy scheme or ad hoc subsidy

Consolidation programme of the Land Mecklenburg-Western Pomerania on the granting of public financial aid to small and medium-sized commercial and industrial enterprises – special fund to support companies

2. Form of the subsidy

Loans of up to DM 5 million at market conditions. Usually restricted to SMEs within the meaning of the Community Framework.

3. Subsidy per unit

Approved loans in 1998: DM 17,650 million;
Disbursed loans in 1998: DM 14,649 million.

4. Objective and/or purpose of the subsidy

Liquidity aid for enterprises that are important for a region in Mecklenburg-Western Pomerania in terms of labour-market policy and structural policy.

5. Duration of subsidy and other time-limits attached to it

The loans have a maximum duration of ten years.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Statistics are not available to assess the trade effects of the subsidy. Most of the assisted enterprises operate on regional markets only.

5. Joint Scheme on "Improving the Regional Economic Structure"

1. Name of the subsidy scheme or ad hoc subsidy

Joint Scheme on "Improving the Regional Economic Structure".

2. Form of the subsidy (i.e. grant, loan, tax concession, etc)

Regional assistance in the form of investment grants to industry and parts of commerce. The purpose of promotion under the Joint Scheme is a selective regional strengthening of land economic promotion programmes in the fields of advice, schooling, human capital formation as well as research and development; this allows greater precision in the use of funds.

Paragraph 3 of Article 72 of the Basic Law requires living conditions to be equal throughout the Federal territory. Regional structural policy contributes to this end. According to paragraph 1 of Article 91 a of the Basic Law, it is the common task of the Federal and the Land Governments to improve the regional economic structure. The basis of promotion is the Act on the Joint Scheme on "Improving the Regional Economic Structure", dated 6 October 1969.

3. Annual amount budgeted for the subsidy

In 1998 a budget of the Federal and the Land Government an amount of DM 6,779 billion was granted for commerce and industry. This amount may be split into DM 556 million for the original federal laender and DM 6,223 billion for the new federal laender.

4. Policy objective and/or purpose of the subsidy

The primary regional policy objective is to enable structurally weak regions to keep pace with general economic development by offsetting locational disadvantages and reducing regional development differentials. Regional structural policy focuses on supporting regional development activity with a view to raising the levels of employment and income in problem areas in this way. Eligible for subsidies under this scheme are commercial and industrial firms.

Investments in commerce and industry are eligible for promotion if they generate additional income to the region so that the region's total level of income is raised to a not insignificant extent in the long run (primary effect). This is deemed to be the case if the company applying for subsidy payment sells the better part of its products or services on a supraregional basis. The investment projects concerned must create new jobs in the assisted areas or secure existing ones.

Assisted areas are redefined at multiannual intervals on the basis of regional indicators (level of income, unemployment, infrastructure). Assisted areas in the original laender including Berlin (West) cover 20.8 per cent of the West German population in the period from 1997 to 1999. The new federal states and Berlin (East) represent assisted areas in their entirety till 1999. Moreover, these areas have been recognized as objective-1 areas within the framework of the EC structural Funds until the end of 1999.

5. Duration of the subsidy

Regional assistance consists of a non-recurring payment and is granted to investment projects in assisted areas. The programme is under no time-limit.

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

Regional promotion is aimed at offsetting domestic investment disadvantages of certain regions and contributes to raising the levels of income and employment in structurally weak areas. Promotion under the Joint Scheme therefore is neutral in terms of competition and has no effect on competition in international trade.

6. Investment allowance for companies in the manufacturing and craft sectors in Eastern Germany where the majority holding is in Eastern German hands (Section 5 para. 2 of the 1996 Investment Allowance Act)

1. Name of the subsidy scheme or ad hoc subsidy

Investment allowance for companies in the manufacturing and craft sectors in Eastern Germany where the majority holding is in Eastern German hands (Section 5 para 2. of the 1996 Investment Allowance Act).

2. Form of the subsidy

Tax allowance of up to 20 per cent for up to DM 1 million of investment.

3. Subsidy per unit

The maximum amount under figure 3 applies per company and per year; the subsidies actually granted to the individual companies are not known.

In the budgetary year of 1998, investment allowances totalling DM 1,262 million were disbursed, DM 45 million thereof in Berlin (W).

Further statistical data are not yet available.

According to the latest figures published by the Ifo Institute:

- the manufacturing industry and all crafts account for 35 per cent of investments in plant and equipment, with companies with up to 250 employees accounting for about 60 per cent thereof;
- the manufacturing industry (excl. the crafts) accounts for 30 per cent, with companies with more than 250 employees accounting for 45 per cent thereof.

4. Objective and/or purpose of the subsidy

To boost the ability to invest by promoting the equity capital base of small and medium-sized manufacturing and craft enterprises in the area.

5. Duration of subsidy and other time-limits attached to it

Investment begun before 31 December 1994;
Investment completed before 31 December 1998.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Trade accounts for 8.5 per cent of investments in plant and equipment, with companies with up to 50 employees accounting for 30 per cent thereof.

7. **Investment allowance for small and medium-sized companies (up to 250 employees) in the manufacturing and craft sectors in Eastern Germany (Section 5, para. 3 of the 1996 Investment Allowance Act)**

1. Name of the subsidy scheme or ad hoc subsidy

Investment allowance for small and medium-sized companies (up to 250 employees) in the manufacturing and craft sectors in Eastern Germany (Section 5, para.3 of the 1996 Investment Allowance Act)

2. Form of the subsidy

Tax allowance of up to 10 per cent for up to DM 5 million of investment.

3. Subsidy per unit

The maximum amount under figure 3 applies per company and per year; the subsidies actually granted to the individual companies are not known.

In the budgetary year of 1998, investment allowance totalling DM 1,262 million was disbursed, DM 45 million thereof in Berlin (W).

Further statistical data are not yet available.

According to the latest figures published by the Ifo Institute:

- the manufacturing industry and all crafts account for 35 per cent of investments in plant and equipment, with companies with up to 250 employees accounting for about 60 per cent thereof;
- the manufacturing industry (excl. the crafts) accounts for 30 per cent, with companies with more than 250 employees accounting for 45 per cent thereof.

4. Objective and/or purpose of the subsidy

To boost the ability to invest by promoting the equity capital base of small and medium-sized manufacturing and craft enterprises in the area.

5. Duration of subsidy and other time-limits attached to it

Investment begun before 1 July 1994;
Investment completed before 31 December 1998

6. Statistical data permitting an assessment of the trade effects of a subsidy

See programme 7.

8. Regional Economic Support Programme

(Land North-Rhine-Westphalia.)

1. Name of the subsidy scheme or ad hoc subsidy

Regional Economic Support Programme

2. Form of the subsidy

Grants towards investment projects of trade and industry and local infrastructure.

3. Subsidy per unit

The total amount budgeted for 1998; scheme of the Land: DM 186.0 million.

4. Objective and/or purpose of the subsidy

Improving the regional economic structure and supporting small and medium-sized businesses.

5. Duration of subsidy and other time-limits attached to it

No time-limit.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Given the objectives of the programme, trade effects cannot be assessed.

9. Promotion of efficient use of energy; programme section "promotion of technological development (REN/TE)"

1. Name of the subsidy scheme or ad hoc subsidy

Promotion of efficient use of energy; programme section "promotion of technological development (REN/TE)". State subsidy N 497/94.

2. Form of the subsidy

Grant

3. Subsidy per unit

About DM 5,672.000

Total number of recipients: 21

4. Objective and/or purpose of the subsidy

The promotion section "technological development" supports companies in the fields of energy technology, the energy industry and commercial and industrial energy users in North-

Rhine/Westphalia. The subsidy is granted for the development of new products and processes for the efficient use of energy and raw materials and for the use of renewable energies that have a pilot character beyond individual companies.

5. Duration of subsidy and other time-limits attached to it

The duration is two to three years for projects that were granted subsidy in 1998.

6. Statistical data permitting an assessment of the trade effects of a subsidy

The above-mentioned subsidy programme is based on the European Community's R&D framework. The assisted projects all comprise only development stages prior to competition in the market.

10. Regional Aid Programme of Rhineland-Palatinate

(Rhineland-Palatinate)

1. Name of the subsidy scheme or ad hoc subsidy

Regional aid programme of Rhineland-Palatinate.

2. Form of the subsidy

Investment grant

3. Subsidy per unit

Up to 7.5 per cent for medium-sized industries, 15 per cent for small-sized industries.

Total budget: DM 17 million, disbursement in 1998: DM 11.7 million.

4. Objective and/or purpose of the subsidy

Promotion of investment in small- and medium-sized industries.

5. Duration of subsidy and other time-limits attached to it

Unlimited.

6. Statistical data permitting an assessment of the trade effects of a subsidy

In 1998:

- creation of 75 jobs by providing financial assistance to 23 individual promotional cases;
- subsidy of 10 measures to promote the economic-related infrastructure.

11. State aid for research and development (R&D) in the sector of biotechnology

1. Name of the subsidy scheme or ad hoc subsidy

State aid for research and development (R&D) in the sector of biotechnology.

2. Form of the subsidy

Reward of grants.

3. Subsidy per unit

During 1998 grants to industry totalled DM 73.9 million.

4. Objective and/or purpose of the subsidy

The programme "Biotechnology 2000" is aimed at strengthening research in biotechnology, one of the most important key technologies. It constitutes a part of the overlapping research and technological policy targets of the Federal Government:

Maintaining a broadly based fundamental research while promoting top-level research;

Promoting preventive research in the areas of environment, health, nutrition and energy and raw material supply;

Improving the framework conditions for research and development of the commercial sector, especially by supporting small and medium enterprises and strengthening the cooperation between the commercial sector and science;

Strengthening the research structure for fundamental research in biology.

5. Duration of subsidy and other time-limits attached to it

The programme "Biotechnology 2000" is the framework for the promotion up to the year 2000.

6. Statistical data permitting an assessment of the trade effects of a subsidy

No statistical data available.

12. Smart fabrication (measures in favour of micro-electronics)

1. Name of the subsidy scheme or ad hoc subsidy

Smart fabrication (measures in favour of micro-electronics).

2. Form of the subsidy

Non-refundable grants.

3. Subsidy amount

1998: DM 21 million.

4. Objective and/or purpose of the subsidy

The aim of the promotion is to realize the scientific foundations for future-oriented conceptions and semi-conductor manufacturing. These conceptions are characterized by:

- high flexibility
- high diversity of processes
- leading-edge processes

as well as

- short set-up times
- short turnaround times
- low batch size

at medium as well as at small manufacturing units.

5. Duration of subsidy and other time-limits attached to it

From 1995 to 1999.

6. Statistical data permitting an assessment of the trade effects of a subsidy

Minimal trade impact.

13. Rational energy-consumption and use of renewable energies

1. Title of the programme

Rational energy-consumption and use of renewable energies

2. Period covered by the notification

1998.

3. Policy objective and/or purpose of the subsidy

To achieve a bigger and stable demand for goods linked to the rational use of energy and environmentally-friendly generation of energy on the basis of renewable energies. In this way the unit price of plants and goods can be reduced by higher output figures in plant engineering and an increase in efficiency as a result of automated production process. This leads to an increase in demand for such goods and energy technology.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted).

Decree of the Ministry of Housing and Construction Nordrhein-Westfalen of 29.10.1998 – IIB5-950.50.

The promotion-programme is managed by the Landesinstitut für Bauwesen NRW/Aachen

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.).

Grants and loans

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating per unit; if the latter, how determined).

Investor or owner, who buys and operates the subsidized plant.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year).

Different plant engineering and the averaged subsidy per unit in each sector :

measurement, control and storage systems:	grant, 15 per cent of the investment plants
recovering waste heat:	grant, 15 per cent of the investment
heat pumps:	grant, 20 per cent of the investment
solar collector plants:	grant, about 15 per cent of the investment
networked linked biomass and biogas plants:	grant, 25 per cent of the investment
networked-linked hydraulic power plants:	grant, 25 per cent of the investment
networked-linked wind power plants:	subsidized loan, about 10 per cent of the investment
networked-linked photovoltaic plants:	grant, 40 per cent of the investment

The averaged subsidy per unit is about 20 per cent of the investment.

Budget for the programme:

Year	Budget –Mio.EUR	Part of the budget to SME – Mio. EUR-	Number of subsidized SME
1999	25,510	1,695	353
1998	24,710	5,477	279
1997	23,808	7,127	193

SME: Small and medium enterprise

The other part of the budget is for private investors.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

There is no time-limit at the moment. According to the efficiency the terms of the programme and the subsidy per unit is annually controlled.

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

The programme is designed to promote energy efficiency and has little effect on trade.

List of subsidized SME in the last three years:

Year	Part of the budget to SME – Mio. EUR	Number of subsidized SME	Amount of Investment Mio. EUR
1999	1,695	353	8,467
1998	5,477	279	21,908
1997	7,127	193	33,496

Examples:

811 wind energy plants with a capacity of 359 MW and 2900 photovoltaic plants have been erected in the last three years.

The price of solar power plants has been halved since 1992. Similar price reduction have been seen by wind plants, solar thermic plants etc., so that the average subsidy per unit could be reduced from 24 per cent of the investment in 1995 to 20 per cent of the investment in 1998. For Wind plants the subsidy has been dropped from 25 per cent of the investment in 1993 to 10 per cent in 1998.

The whole turnover of the market for solar-, wind-, etc. plants is about 378 Mio. Eur a year. It is growing market with an annual increase of 20 per cent. The programme is the basis for an innovative energy industry and an environmentally-friendly generation of energy.