



Treasury Chambers, Parliament Street, SW1P 3AG

01-270 3000

4 April 1989

C D Powell Esq  
No.10 Downing Street  
London SW1

cc 81  
cc P. C 2

Rie Minister  
Some other  
figures.

CP  
4/4.

copy  
Quarter folders  
over EC folders  
not

Dear Charles

**COMPARISONS OF EUROPEAN SUBSIDIES**

I am sorry that we have not replied before now to your letter of 20 February on the Paris Economic Summit in which you recorded that the Prime Minister had asked whether there were figures for comparative industrial subsidies in EC countries. The reason for our delay in replying is that the figures are not easily available.

The main source of comparative figures is the European Commission's "First Survey of State Aids in the EC". But the numbers are not up-to-date, the most recent data being for 1986, and their coverage is patchy and probably inconsistent. The comparisons between countries should therefore be treated with caution, though the trend over time for individual countries should provide a more reliable picture.

Table 1 below shows total subsidies, including subsidies to both industry and agriculture, as a percentage of GDP in the UK, Germany, France and Italy. Table 2 shows industrial and regional aid (excluding agriculture) as a percentage of value added in industry. The UK's progress in reducing subsidies is reflected in both tables.

**Table 1: Total aid as % of GDP 1981-86**

	1981	1982	1983	1984	1985	1986
UK	2.0	2.0	1.9	2.3	1.5	1.3
Germany	2.5	2.6	2.5	2.5	2.6	2.5
France	2.8	2.7	2.9	2.8	2.8	2.2
Italy	4.4	5.6	6.7	5.9	5.6	5.6

at flat



Table 2: Industrial and Regional aid as % of gross value added in industry 1981-86

	1981	1982	1983	1984	1985	1986
UK	5.2	4.5	3.8	3.9	3.1	2.6
Germany	3.1	3.2	3.0	3.3	3.1	2.7
France	4.9	4.3	5.3	5.4	5.8	3.8
Italy	11.9	15.2	20.7	18.2	16.6	16.8

Source: EC First Survey on State Aids

Another source of information is the set of National Accounts put together by OECD. Subsidies on a national accounts definition are current transfers from the Government to a trading concern. Table 3 shows these subsidies as a percentage of GDP for 1985-87. The comparison once again reflects well on the UK.

Table 3: Direct Subsidies as % of GDP

	1985	1986	1987
UK	2.0	1.6	1.4
Germany	2.1	2.1	2.2
France	2.3	2.3	2.4
Italy	2.4	2.4	2.3

Source: OECD National Accounts

We are encouraging the OECD Secretariat to do some work on measuring individual countries' subsidy programme which we hope will provide more reliable comparative figures. But the Secretariat will have an uphill struggle in persuading some countries to disclose the full extent of their subsidies.

*Yours sincerely*  
*J M G Taylor*  
J M G TAYLOR  
Private Secretary



Econ. Rev. Paris Econ Summit

Pt 28



CONFIDENTIAL