

Community State Aid Policy and Economic Transformation from a Planned to a Market Economy

Page

Summary	1*-10*
A Restructuring transitional economies and the role of the state	1
B Foundations of the study	2
1 Definition of subsidies	2
2 Some characteristics of subsidies in transforming economies	3
2.1 Starting point: Subsidies in centrally planned economies	3
2.2 Changing role of subsidies in transforming economies	4
2.3 Specific aspects of the identification and the quantification of subsidies in transforming economies	8
3 Theoretical economic aspects	11
3.1 Standard cases for state intervention and subsidies and their relevance for transforming economies	11
3.2 Specific distortions in transforming economies	17
3.3 Open economy aspects	20
3.4 Conclusions	22
4 Subsidies in transforming economies and EC State aid policy	26
4.1 Legal provisions	26
4.2 Scope of the rules	27
4.3 Important derogations	29
4.4 Some crucial questions about the application of EC State aid rules for transforming economies	31
4.5 Evaluation and recommendation	42
5 The Case of Hungary (by J. Habuda)	45
5.1 Introduction	45
5.2 Short history and main characteristics of Hungarian privatization	48
5.3 Different concepts of industrial privatization - with or without restructuring?	52
5.4 Crisis Management at Dunaferri: A Case Study	57
5.5 A brief summary	59

	Page
6 The Case of the CSFR (by M. Jennewein)	60
6.1 Introduction: Subsidies and Privatization	60
6.2 Main characteristics of Czechoslovak privatization	65
6.3 Results at the end of 1992	69
7 The Case of Poland (by M. Jennewein)	73
7.1 Introduction: Subsidies and the enterprises' debts	73
7.2 Main characteristics of Polish privatization	78
7.3 Results	85
7.4 Assessment (CSFR and Poland)	90
References	92

List of figures

1 Possible application of EC public aid rules for transforming economies	28
2 Possible applications of the EC Treaty provisions concerning aid in transforming economies for undertakings with a considerable employment and/or undertakings in "sensitive" sectors	35

List of tables

5.1 Government Subsidies and Transfers in Hungary from 1988 to 1991	47
5.2 SPA-initiated Privatization Programmes for Medium and Large State-Owned Enterprises in Hungary	51
6.1 Budgetary Subsidies in Czechoslovakia from 1989 to 1991	61
6.2 Liquidation of Indebtedness in the Czech and Slovak Economies	64
6.3 Foreign Direct Investment in the CSFR by Geographical Origin and Sector	72
7.1 The Structure of State Budget Expenditure in Poland from 1989 to 1992	73
7.2 State Budget Expenditure in Poland in 1991	74
7.3 The Dynamics of Ownership Transformations in Poland by Sector from 1991 to 1992	87
7.4 Ownership Transformations at State Enterprises in Poland by Sector and Methods of Privatization	88
7.5 Geographical Structure of Joint Ventures Operating in Poland	90