

Subsidies: definition, classification, data collection

Geneva

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Outline

- Where do we stand?
 - Definition
 - Classification
 - Data
- Where do we want to go?
- What do we need to do to go from here to there?

CURRENT SITUATION

February 2012 classification

L – Subsidies (excluding export subsidies under P7)

Financial contribution by a government or public body, or via government entrustment or direction of a private body (direct or potential direct transfer of funds: e.g., grant, loan, equity infusion, guarantee; government revenue foregone; provision of goods or services or purchase of goods; payments to a funding mechanism), or income or price support, which confers a **benefit** and is **specific** (to an enterprise or industry or group thereof, or limited to a designated geographical region).

Example: The government provides producers of chemicals a one-time cash grant to replace antiquated production equipment.

Note: this category is to be further sub-divided after further study on the subject.

February 2012 classification

P - EXPORT RELATED MEASURES

Export-related measures are measures applied by the government of the exporting country on exported goods.

...

P7 Export subsidies

Financial contribution by a government or public body, or via government entrustment or direction of a private body (direct or potential direct transfer of funds: e.g., grant, loan, equity infusion, guarantee; government revenue foregone; provision of goods or services or purchase of goods; payments to a funding mechanism), or income or price support, which confers a **benefit and is contingent in law or in fact upon export performance** (whether solely or as one of several conditions), including measures illustrated in Annex I of the Agreement on Subsidies and Countervailing Measures and measures described in the Agreement on Agriculture.

Example: All manufacturers in Country A are exempt from income tax on their export profits.

Available information

- WTO notifications
 - Under the SCM agreement
 - Under the AoA agreement
- WTO TPRs and Monitoring reports
- Information from firm surveys
- GTA
- OECD: National Accounts Statistics, Producer Support Estimates
- IMF Government Finance Statistics
- National sources

“The coverage and quality of data on subsidies and investment measures/incentives is much less than for traditional trade policies such as tariffs and “temporary trade” barriers.” (Hoekman 2015)

Issues

- Definition
 - WTO definition is one among many
 - May be difficult to use in practice (intricacies - link with disciplines - incentives)
 - May be too narrow (see E15 Initiative)
- Classification
 - Insufficient disaggregation
 - May have legal implications
- Available information on subsidies is:
 - incoherent
 - highly aggregated
 - fragmentary

WHAT DO WE WANT?

Context

- Commitment to sub-divide the subsidies category after further study on the subject
- Some stakeholders (E15) suggest that the adequacy of current SCM disciplines should be re-examined in the light of new global challenges and future needs
 - Bailout packages provided after the 2008 crisis
 - Revival of industrial policies
 - Need for non-actionable subsidies for environmental purposes
 - Concern with subsidies affecting scarce natural resources

Questions?

- Definition - Classification
 - Do we want a broad or a narrow definition?
 - How closely should the definition/classification be linked to disciplines?
 - What sort of subcategories do we need?
- Data
 - Do we take the status quo as given?
 - What if the required information is not available?
 - What about incentives?

OPTIONS

Definition: options

- NACC definition too narrow: does not include transfers through tax breaks or soft loans
- Other definitions are typically context-specific
- ASCM definition does not cover *de facto* subsidization that results from differential regulatory policies, and some other more controversial measures (dual energy pricing)..
- Are there any broader definitions?
 - Ex: Assistance to industry as defined by the Australian Productivity Commission?

Assistance to industry

- Section 10(6) of the Productivity Commission Act 1998 defines assistance to industry as:
 - ... any act that, directly or indirectly: (a) assists a person to carry on a business or activity; or (b) confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.*
- Reflecting this broad definition, an array of different instruments can provide assistance to industry. These include:
 - tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, such as local design rules and quarantine laws;
 - grants and subsidies for domestic producers;
 - tax expenditures and offsets for domestic producers;
 - ‘in-kind’ assistance provided by publicly-funded intermediaries, such as certain research undertaken by CSIRO;
 - regulatory restrictions on domestic competition, such as those provided by some statutory marketing arrangements and legislation that reserves markets for particular groups (for example, pharmacy service provision);
 - the provision of services by government agencies at concessional prices; and
 - government procurement policies.

Classification

- Example 1: List of annex 2, AoA and list of art.9 AoA
- Example 2: List of annex 1, SCM

Data: short term

- Integrate WTO notifications information
 - Issues: incomplete, may be systematically biased, only a subset is quantified information, not necessarily budgetary outlays (programs, per unit subsidy, etc), cannot be allocated to product lines
- Integrate OECD agricultural subsidies database, government financial transfers to fisheries (?)
 - Issues: definition, only OECD, only agr, fisheries
- Integrate national information where available
 - Issues: only few countries, incoherence

Data: long term

- Longer term options
 - Improve WTO notifications ? Is it the way to go ?
 - technical and informational obstacles
 - incentives problem
 - Case studies approach
 - Identify best practices (ex: Australia)
 - Establish a road map