Multi-Agency Support Team (MAST) Meeting on Non-Tariff Measures (NTMs) Classification

5-6 October 2016, UNCTAD

Working Group on Subsidies: Chapter L

Chair: Marc Bacchetta (WTO)
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Discussion sessions on subsidies

The working group has agreed on a preliminary definition that will need to be refined and subsequently tested with respect to real cases. If necessary, revisions can then be made to the definition. A final decision about the overall heading of the chapter has not been taken.

Preliminary definition:
[Subsidies / Subsidies and other forms of support / Support]:
> "A measure or practice by any level of government which involves a financial transfer attributable to an identifiable beneficiary or group thereof, which creates an advantage for those beneficiaries."

This definition is as close as possible to the WTO definition but it does not use the legal concepts of the WTO definition. It should be slightly broader than the WTO definition while at the same time facilitating the collection of information by avoiding *a priori* legal judgement and by being more incentive compatible.

This definition will need to be refined to clarify the following points:
- Price-control measures should be included without creating overlaps with other categories
- Discriminatory application or non-application of certain governmental requirements should be excluded

Roadmap: Building on the preliminary definition, an exercise shall be started to collect a relatively large number of real world examples of diverse subsidy/support programs. These examples will be drawn from WTO Trade Policy Reviews, from WTO notifications, and from a variety of other sources. They will then be grouped in order to develop a useful classification. Drawing from existing databases and classification schemes, the following dimensions/criteria are likely to serve the categorization exercise:
- target (statutory incidence): e.g. consumers or producers, outputs, inputs, value-adding factors (land, labour, capital), exports;

- <u>instrument (transfer mechanism)</u>: e.g. budgetary expenditure, tax exemption, market transfers, under-pricing of publicly owned or managed assets;
- <u>based on law/regulation or not</u>
- <u>conditionality</u>: e.g. exports, imports, recipient income, production
- <u>pathway of benefit</u>: e.g. direct, indirect, explicit, implicit;
- <u>purpose</u>: e.g. regional development, energy conservation

Other issues:
- Export subsidies (P7): all participants in the discussion about subsidies, as well as the group discussing export-related measures, agreed that it would be preferable to integrate export subsidies under the subsidies chapter of the classification (L).
- Complementarity with existing databases: the current data collection approach across NTM classification aims at a comprehensive inventory of policy information across sectors. Existing databases (e.g. OECD) include quantitative information about more narrowly defined sectors. A MAST classification of subsidies should fit existing data and ensure inter-operability with existing databases.