



## Steel subsidies: transparency and reporting

### A path to reform

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**GSI** Global Subsidies Initiative

**iisd** International Institute for Sustainable Development / Institut international du développement durable  
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## Global Subsidies Initiative (GSI)

- **Purpose:** to investigate and promote reform of subsidies that have negative economic, social or environmental impacts
- Two streams of work:
  1. overarching and multilateral issues (e.g. WTO reform)
  2. studies in specific sectors (e.g. subsidies for fossil-fuels)
- GSI's work with the Steel Committee draws on our experience in both streams



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## Key messages

- Steel Committee recognized that subsidy reform would be worthwhile but the process has stalled
- Improved transparency and reporting provides a way forward
  - better information leads to better policies
  - facilitates cooperation on ways to reduce, or better target, support measures
- Practical proposal: new approach to reporting subsidies within the Committee
  - “WTO plus” approach



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## Transparency – what do we mean?

- Openness and accountability of governments
  - Particularly re: expenditure and decision-making
- Has evolved rapidly over the recent past; 3 generations
  1. *Right to Know*
    - Access is provided to most government processes and files
  2. *Targeted transparency*
    - Information structured to further policy objectives
  3. *Collaborative transparency*
    - Combines 1<sup>st</sup> and 2<sup>nd</sup> generation & user-centred orientation



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## History of Agricultural Subsidies Reform

- Pre-1947 GATT: history of subsidisation, protection
- 1973-79 Tokyo Round: failure to apply normal disciplines
- 1980s new efforts – including OECD, GATT
- 1982 saw OECD work mandated – appeared year before Uruguay Round mid-term review (1988/9)
- Influenced by estimates of PSEs/CSEs, trade effects
- Simple Aggregate Measure of Support (AMS) adopted
- December 1993: “Agreement on Agriculture” signed
  - Commitments and timelines set out in country schedules



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## Benefits of transparency: Domestic

- Assemble information on financial support from different departments and jurisdictions in a consistent format (sometimes first time, e.g. US bio-fuels)
  - allows for compilation and comparison of subsidies
  - facilitates cost-benefit analysis
  - exposes economically inefficient industries and policies to scrutiny and reform
  - promotes the dissemination of best-practice
  - leads to long-term improvements in competitiveness



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## Benefits: intergovernmental

- Shared understanding of national data and policies provides a foundation for negotiations
  - reduces uncertainty
  - facilitates cooperation
- Can help governments to resist subsidy-seeking companies and vested interests
- Reduces asymmetric information between multinational firms and national governments



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## But it's not easy or uncontroversial...

- Accessing information on other countries' industry subsidies has obvious advantages
- But individual governments hesitate to report on their own subsidies out of fear of self-incrimination
- As a result of this perception, no country will have a sufficient incentive to report honestly on its subsidies
  - the "Prisoner's dilemma"



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## Existing reporting on steel subsidies

- WTO Agreement on Subsidies and Countervailing Measures (ASCM – Article 25.2)
- OECD Steel Committee Questionnaire
- Domestic reporting: federal and state budgets
- Independent reporting
  - academic or NGO studies into support in the steel sector
  - General reporting on budget transparency (Open Budget Initiative, Transparency International )



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## Opportunity to share information within the Steel Committee

- In recognition of the advantages of transparency, we recommend that the SC Members adopt an **internal** subsidy reporting and notification scheme
- Builds on the SC Questionnaire from 2007
  - but proposes a range of measures that will enhance the chance of success
- Move from prisoner's dilemma to playing doctors
  - once sufficient countries report, non-reporting is only successful if subsidies lead to competitive benefits



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## Options to improve transparency

1. Tailor-made framework
  - Duplication of effort, loss of information
2. Make use of existing reporting tools and requirements; avoid duplicate reporting
  - build on WTO ASCM notifications
3. **GSI's proposed new ASCM reporting template**
  - make reporting requirements clearer, less burdensome
  - “WTO Plus” notification to the Steel Committee
  - (1) Summary Table; and (2) Annex



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## Summary table

### Necessary information:

- Subsidy category and sub-category
- Is a subsidy provided? [*Yes/No avoids ambiguity*]
- Subsidy type
- Basic details of program and total funding
- Loan or Loan Guarantee

### Additional information

- Product groups (CPC or ISPC)
- Regional subsidies and horizontal programs
- Unique Subsidy Identifier



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## Annex

- Provides for additional detail that does not lend itself easily to the summary table format
- Format is similar, but more streamlined, to current WTO ASCM notifications
- Provides space for concise narrative descriptions:
  - purpose of the subsidy
  - the authority
  - to whom and how the subsidy is provided



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## Application of the template

- Could be applied now
  - coordinated by federal industry departments with other relevant agencies and sub-national jurisdictions
- But outcomes and chance of success could be improved by some further guidance from Steel Committee on:
  - scope, non-sector specific programs, minimum value, secretariat support, incentives and penalties, confidentiality, peer review
- Members need to move together, ideally on all subsidies



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## Conclusion

- Practical proposal: new approach to reporting subsidies within the Committee
  - “WTO plus” approach
- Improved transparency has some merits in itself
  - but would primarily assist members of the Steel Committee take the next step towards subsidy reform
- Benefits will only ensue when sufficient Members have notified their subsidies



First step, further steps needed to reform subsidies

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