SUBSIDIES AND STRUCTURAL ADJUSTMENT
PROGRESS REPORT BY THE INDUSTRY COMMITTEE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
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The Subsidies and Structural Adjustment project of the Industry Committee is a major international effort to increase transparency and comparability in the area of government support to industry. The Council at Ministerial level has continually followed and supported this effort. In June 1992, after receiving a report on a data base built and peer-reviewed in the framework of this exercise, the Council stated that "... This work represents important progress towards greater transparency in this area and will facilitate the further task of the relevant international organisations in elaborating commonly acceptable international disciplines. Ministers invite the Organisation to intensify this exercise... Specifically, work should continue on the concepts and methodologies necessary to allow comparability, quantification and analysis. Ministers stress the need to make progress in this area as quickly as possible."

The Industry Committee has been working over the last year on the development and finalisation of commonly agreed concepts and methodologies of government support to industry, with the aim of implementing them in a new questionnaire to be circulated to Member countries. This questionnaire is intended to up-date the OECD data base with a more complete coverage of support practices, more clearly specified measurement methodologies, and additional qualitative and quantitative information on the features of individual support programmes. The objective is to reach a satisfactory level of transparency and comparability in order to serve various needs of international understanding and co-operation in this area.

Efforts to develop the basic concepts and methodologies have been carried out in an innovative and co-operative way. Ten different countries agreed to develop assessments and proposals in the key areas, before the finalisation of reporting principles. These were submitted for discussion and agreement to all OECD countries. The areas where reporting principles were to be clarified included: support for research and development and technological innovation; policies administered by intermediary organisations; tax concessions; support by sub-central levels of government; export and trade-related support; civilian and defence public procurement; government equity holdings; labour and training programmes. The diversity of measures to be reported arises from the multiplicity of policy objectives pursued and the wide variety of funding and the other support instruments employed (the project distinguishes at present ten different policy objectives and eight funding instruments). In the framework of their methodological discussions, Member countries agreed on developing a comprehensive data base covering major types of support mechanisms.
Significant progress has been made in the elaboration of reporting principles, through in-depth consultations, discussions and methodological work. Countries participated actively in the discussions, and clarification and consensus have been achieved, including in certain difficult areas such as the support element in government equity holdings, the types of tax concessions to be reported, and the relevant R&D and technological support mechanisms. The co-operative and highly interactive nature of this effort has established the Working Party leading this project as a unique, open international platform for the transparency of and exchange of views on domestic policies.

In certain areas where progress has been achieved, further efforts and commitments are needed in order to reach reporting consensuses. Among the most important of these are the transparency of support by sub-central authorities, civilian and defence procurement, and the complete reporting of support by intermediate research and technology organisations. Sustained efforts are being made in these areas, drawing on the technical expertise available in specialised Secretariat departments, and the Industry Committee hopes to reach consensus on the remaining issues during this year. In this context, all countries are urged to maintain their support for the search for consensus, and their efforts are greatly appreciated.

The Industry Committee intends to distribute a fully acceptable questionnaire in late 1993 or early 1994, based on the recommendations of its Working Party. The detailed, formatted and internationally comparable information which will be generated by this effort should up-date and consolidate this unique international transparency system. This system, including the present data base and its associated peer-review mechanism, has already begun to serve the various needs for comparing and assessing industrial support practices, for domestic reform purposes as well as for the evolving needs of international co-operation. In an international environment where it is becoming a policy priority for OECD governments to reduce costly and distortive support practices, while at the same time strengthening their national policies and institutions directed to the overall upgrading of their technological and industrial capabilities, this OECD effort is expected to play a timely role.