OECD: NEW SUBSIDIES AND STRUCTURAL ADJUSTMENT REPORT

This report seeks to increase the level of international transparency in the area of industrial subsidies in OECD Member countries. It is hoped to achieve, thus, a better understanding of government support to manufacturing industry and thereby to reduce the potential for trade frictions.

On the basis of the information collected to date, total net cost to governments of reported support programmes is estimated to have averaged $66 billion annually over the period 1986-89, representing approximately 2.5 per cent of total value added in manufacturing annually across the OECD area. This figure still falls short of the level of support which would have resulted if the information base had been complete. As seen in the table below, the total amount of support reported shows a decrease from 1986 to 1989, with the index for total support in constant prices moving from 100 in 1986 to 64 in 1989. This trend spans uneven evolutions of net expenditures among countries and is due primarily to an overall reduction in tax expenditures.

The review presented in this report of the trends and patterns of reported subsidy programmes sheds a pioneering light on the distinctive features of industrial support policies in the OECD area. If the total amount of reported expenditures cannot be considered as a measurement of total effective subsidisation, because of remaining data coverage and methodological limitations, the review of policy objectives, financing instruments and subsidised economic cost patterns underlines a general picture of policy trends. This picture is one of an overall decline in general investment support policies, largely due to tax reforms, with a symmetric increase in the relative weight of more focused support policies such as aid to R&D, regional development and export promotion. In these more focused policy areas, subsidisation seems also to shift from a broad to a more selective type of support, favouring for example certain technology areas or certain types of enterprises. Among the economic costs subsidised, a similar increase is seen in the relative share of current production costs, export-related costs and R&D
costs. These overall trends, alongside a number of country-specific features, will contribute substantially to better informed national and international policy discussions.

Journalists may obtain a copy of the report from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89).