

**Subsidy Reform for  
Sustainable Development:  
The Case of New Zealand**

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# **Sustainable Development: A standardised paradigm**

- Three pillar approach

# **Context: Year Zero (aka 1984)**

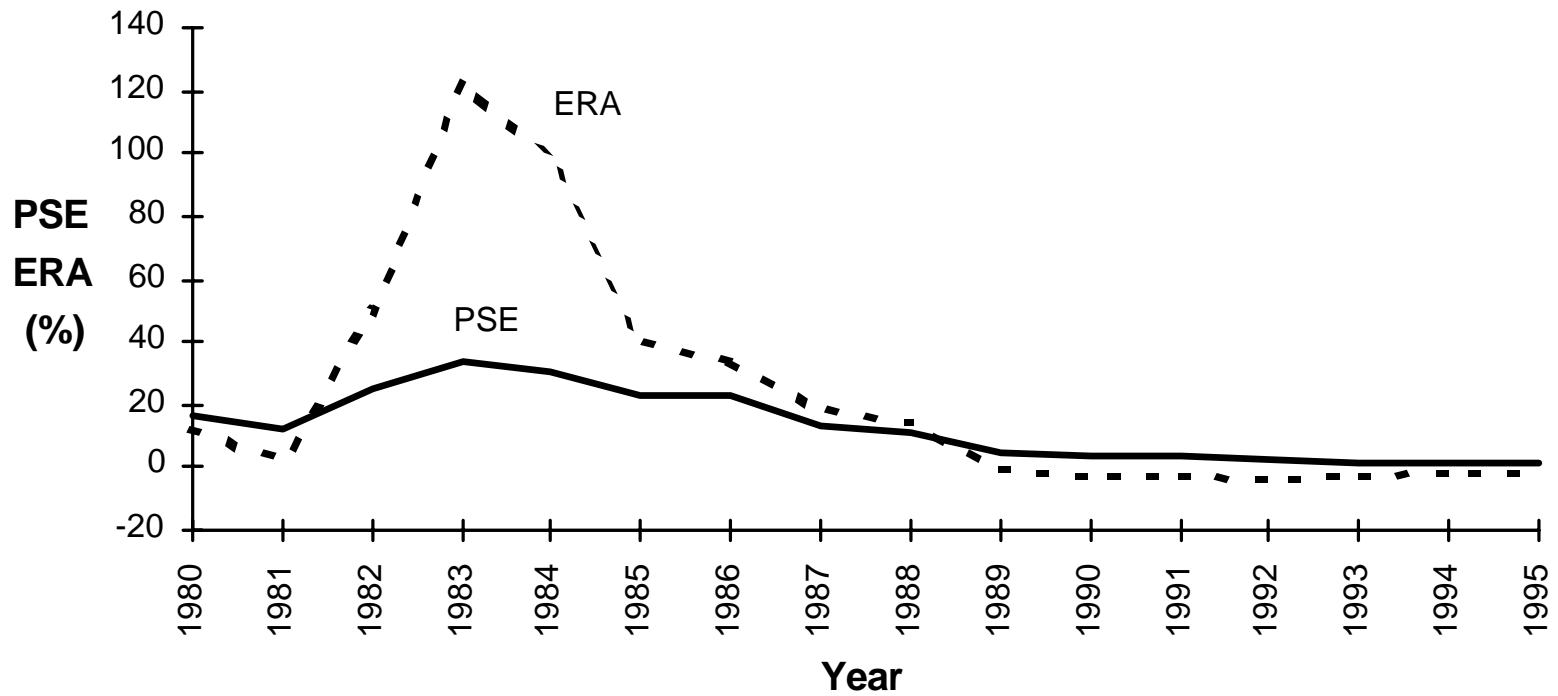
The economic situation was getting worse ...

...and the OECD Economic Survey of 1983-4 suggests that 'far-reaching and fundamental' reform was needed

# Subsidies: Rapidly Accelerating

- 1976: less than 1% of GDP spent in subsidies. **1984: 4%**
- 1976: Three programmes of assistance. **1984: More than 30.**

# Rapid Acceleration (continued)



# Putting on the brakes...

- 1984-6: 95% of all production-related subsidies were eliminated

# **The morning after...**

## **(The 'economic pillar')**

- Agricultural productivity grew
- Export revenues have risen sharply

# Opportunities in 'new' sectors... (The economic pillar continued)

- *Dairy*
- *Horticulture*
- *Viticulture; and*
- *Other*



# **Subsidy reform: the social pillar weakened?**

- 1 percent of farmers left the industry
- Small rural towns experienced reductions in population in the late 1980s

# **The social pillar continued...**

- But:
- The decline was not as great as predicted;  
and
- Pressures could have been eased, if reform had been better sequenced

# **The social pillar – easing the transition**

- Limited assistance provided.

# The environment pillar: an accidental beneficiary

## Before

- *Land use*: 14.4 million ha (pasture) and rapid land clearing
- *Fertiliser use*: 10% per annum increases in fertiliser use

## After

- 12.1 million and a 50% increase in forest planting
- stabilised at 1984 levels

# The accidental beneficiary (continued)

## Before

- *Pesticides*: 8% increase per annum between 1978-1984
- *Soil erosion*: an accelerating problem

## After

- stabilised at 1984-5 levels
- stabilised at 1985 levels

# The accidental beneficiary (continued)

## Before

- ***Water use:*** 65% of all NZ water use for agriculture sector
- ***Water quality:*** Generally good. campylobacter infections at OECD average

## After

- 60% of all water use for agriculture sector
- Generally good, but campylobacter infections now top the OECD table

# The accidental beneficiary (continued)

## Before

- *GHG*: in 1990 50% of total gross GHG was methane

## After

- 51% of total GHG from methane. Total GHG increased by 5% over the 1990 figure.

# Some political economy lessons

Key features:

- Economic crisis;
- Sustained political support;
- No interest group capture;
- Transparency;
- Sequencing;
- Multilateral is best, but unilateral reform works too; and



Wider and deeper reform?  
Connect the dots between the  
three pillars