



Measuring distortions in international markets

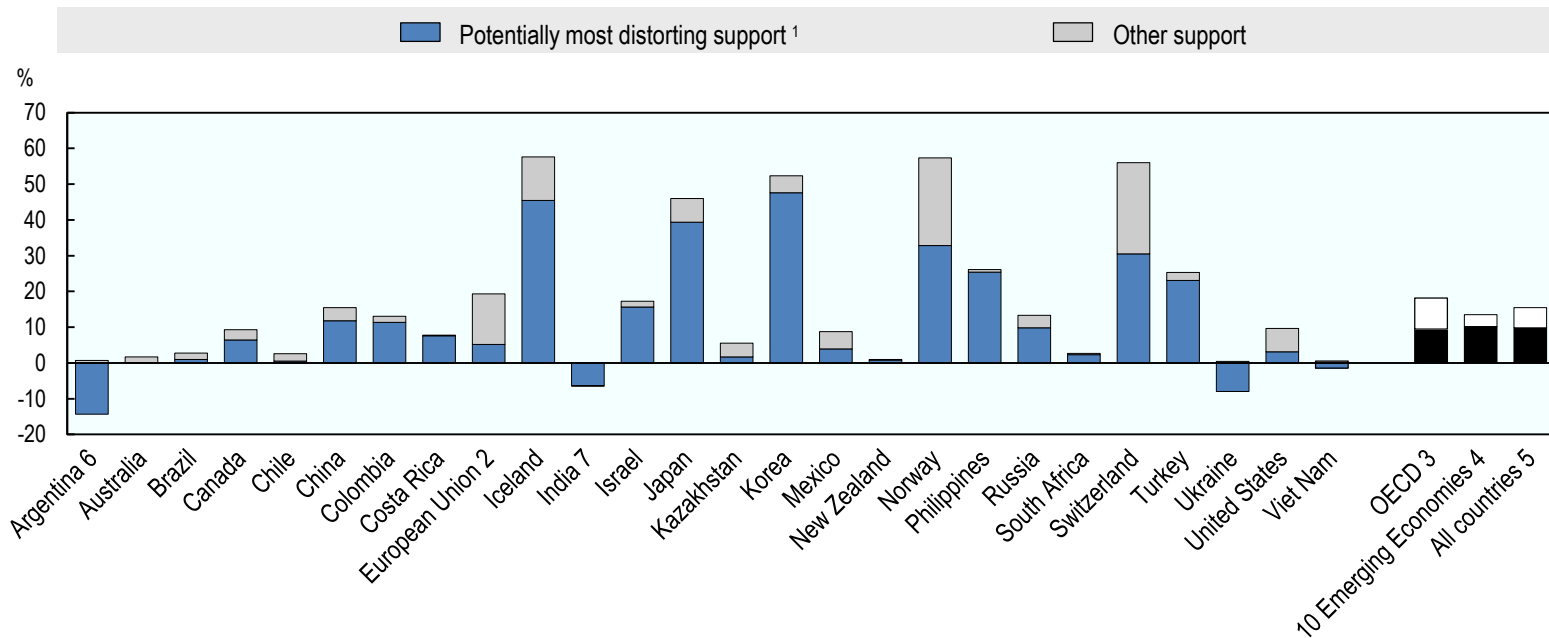
Trade and Agriculture Directorate
OECD Council Working Party on Shipbuilding (WP6)
29 November 2018

Building up the evidence base

- TAD has been in the business of **measuring government support for more than two decades**, starting in agriculture, and continuing with fisheries and fossil fuels.
- Work has also been undertaken to **inventory and quantify other trade restrictions**, including export restrictions on raw materials and policies restricting services trade.
- **Coverage is now being expanded** gradually to a host of industrial sectors, starting with aluminium this year.
- That process has proven **resource intensive** (e.g. data collection and updates), but provides the **evidence base** we need to conduct analysis and make policy recommendations.

The example of producer support for agriculture

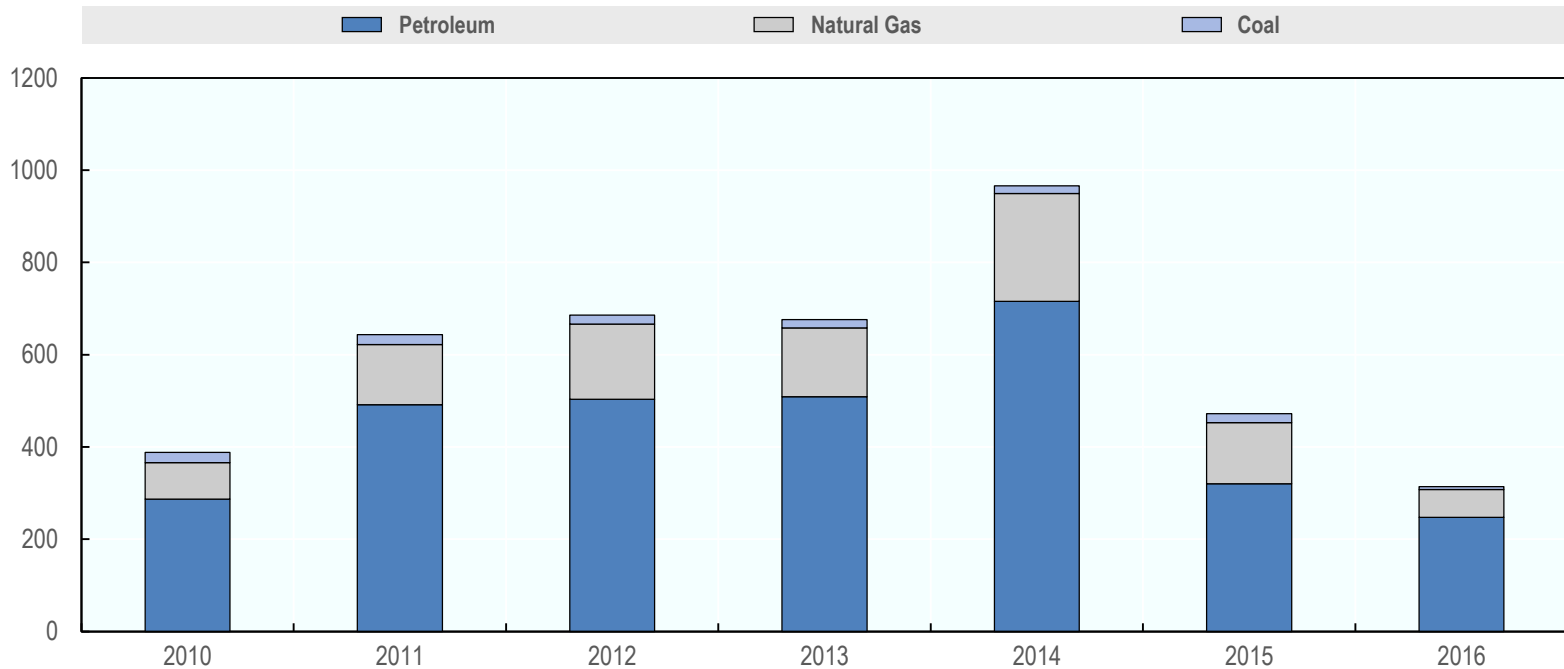
Composition of the PSE by country, 2015-17 (% of gross farm receipts)



1. Support based on output (including market price support and output payments) and on the unconstrained use of variable inputs. 2. EU28. 3. The OECD total does not include the non-OECD EU Member States. 4. The 10 Emerging Economies are Brazil, China, Colombia, Costa Rica, Kazakhstan, the Philippines, Russian Federation, South Africa, Ukraine and Viet Nam. The Philippines and Viet Nam are included from 2000 onwards. Indonesia is not included in this report. 5. The All countries total includes all OECD countries, non-OECD EU Member States, and the Emerging Economies. 6. The values for Argentina are provisional and not included in the Emerging Economies average 7. The values for India are using 2014-2016 data. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Trade and Agriculture Directorate | Organisation for Economic Co-operation and Development (OECD) | www.oecd.org/tad | tad.contact@oecd.org

The example of support for fossil fuels

IEA-OECD joint estimate of global support for fossil fuels (USD, billions)



Source: IEA and OECD.

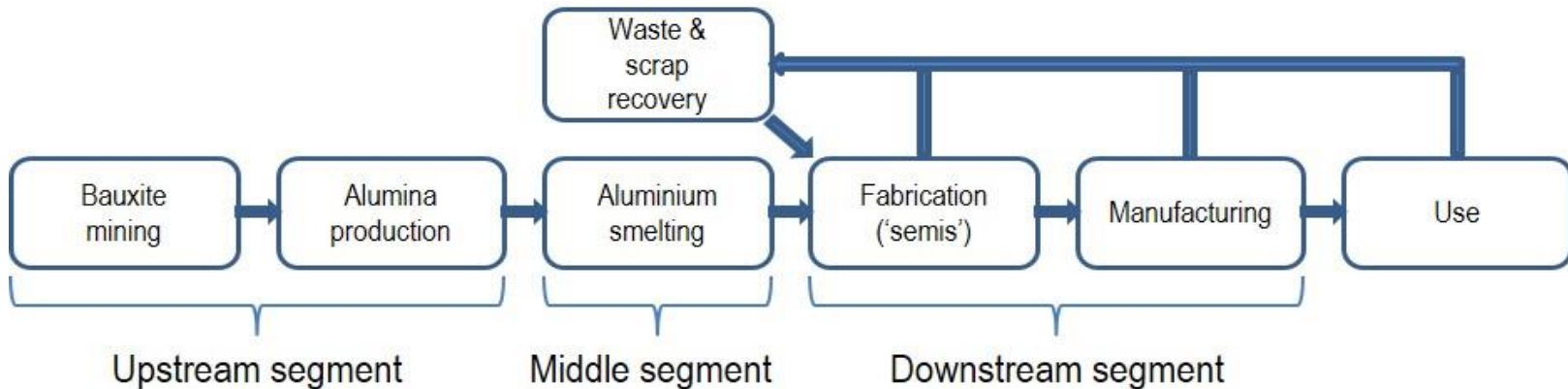
Government support can take many forms

		Statutory or Formal Incidence (to whom and what a transfer is first given)						
		A: Output returns	B: Enterprise income	C: Cost of intermediate inputs	Costs of Value-Adding Factors			
					D: Labour	E: Land and natural resources	F: Capital	G: Knowledge
Transfer Mechanism (how a transfer is created)	1: Direct transfer of funds	Output bounty or deficiency payment	Operating grant	Input-price subsidy	Wage subsidy	Capital grant linked to acquisition of land	Grant tied to the acquisition of assets	Government R&D
	2: Tax revenue foregone	Production tax credit	Reduced rate of income tax	Reduction in excise tax on input	Reduction in social charges (payroll taxes)	Property-tax reduction or exemption	Investment tax credit	Tax credit for private R&D
	3: Other government revenue foregone			Under-pricing of a government good or service		Under-pricing of access to government land or natural resources	Debt forgiveness or restructuring	Government transfer of intellectual property rights
	4: Transfer of risk to government	Government buffer stock	Third-party liability limit for producers		Assumption of occupational health and accident liabilities	Credit guarantee linked to acquisition of land	Credit guarantee linked to capital; equity conversions	
	5: Induced transfers	Import tariff or export subsidy	Monopoly concession	Monopsony concession; export restriction	Wage control	Land-use control	Credit control (sector-specific)	Deviations from standard IPR rules



A novel approach to measuring government support in the aluminium value chain

- Most recent work on aluminium departs from earlier exercises in **looking across the whole value chain**, from bauxite mining down to the production of semi-fabricated products of aluminium.





A novel approach to measuring government support in the aluminium value chain

- To assess government support, we are looking at **individual firms and even industrial plants**
 - Necessary given countries' lack of transparency;
 - Enables greater granularity (e.g., of subnational measures);
 - Enables identification of support beyond traditional forms.



SOEs and the measurement of government support

- SOEs are found in a number of sectors, including aluminium, oil and gas extraction, power generation, etc.
- Government support can benefit both private and state enterprises, but **SOEs pose additional challenges for data collection** and the identification of support measures.
- SOEs can be **both recipients and providers of support**, e.g. state-owned utilities and policy banks.
- Ownership is not always the relevant variable: **state influence is what really matters.**

Contact us

We look forward to answering any questions you may have!



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