



# What is the evidence on government support?

Trade and Agriculture Directorate  
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## There is a need for better evidence to inform much-needed reform of trade rules

- Since the crisis, trade growth has slowed, while public scepticism about globalisation has grown in some countries.
- Addressing these concerns requires, among other things, that more be done to level the international playing field, addressing gaps in the rules and doing more to ensure that everyone, from companies to countries, plays by the rules.
- While there are many such gaps, government support remains a fundamental one.
- Yet evidence on the nature and scale of government support remains woefully inadequate to date.

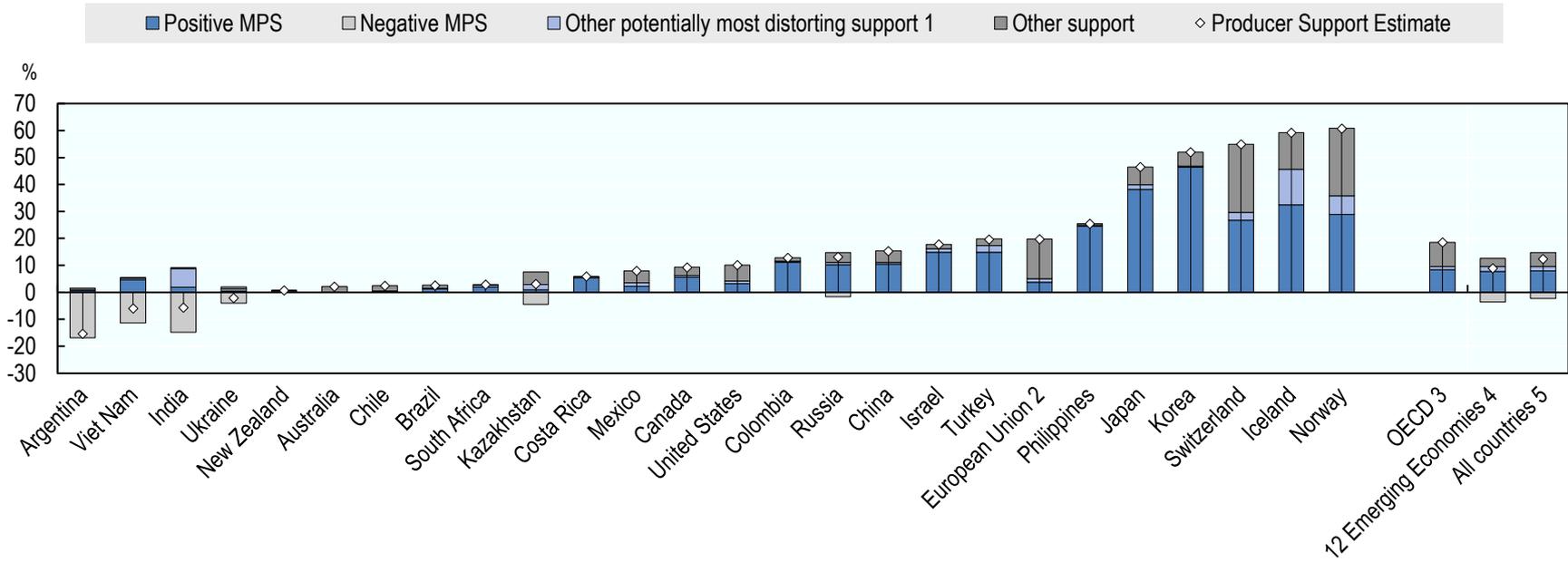
# Government support can take many forms

		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		Waiving of administrative fees or charges	Under-pricing of a government good or service		Under-pricing of access to government land or natural resources	Debt forgiveness or restructuring; soft loan from the government	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	Loan guarantee; non-market debt-equity swaps and equity injections	
	5: Induced transfers	Import tariff or export subsidy; LCRs	Monopoly concession	Monopsony concession; export restriction	Wage control	Land-use control	Credit control (sector-specific); non-market M&As	Deviations from standard IPR rules



# The OECD has been measuring government support in agriculture for decades

Potentially most distorting transfers by country, 2016-18 (% of gross farm receipts)



Note: Countries are ranked according to the %PSE levels. 1. Support based on 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 12 Emerging Economies include Argentina, Brazil, China, Colombia, Costa Rica, India, Kazakhstan, the Philippines, Russian Federation, South Africa, Ukraine and Viet Nam. 5. The All countries total includes all OECD countries, non-OECD EU Member States, and the Emerging Economies. 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.

# The example of producer support in agriculture

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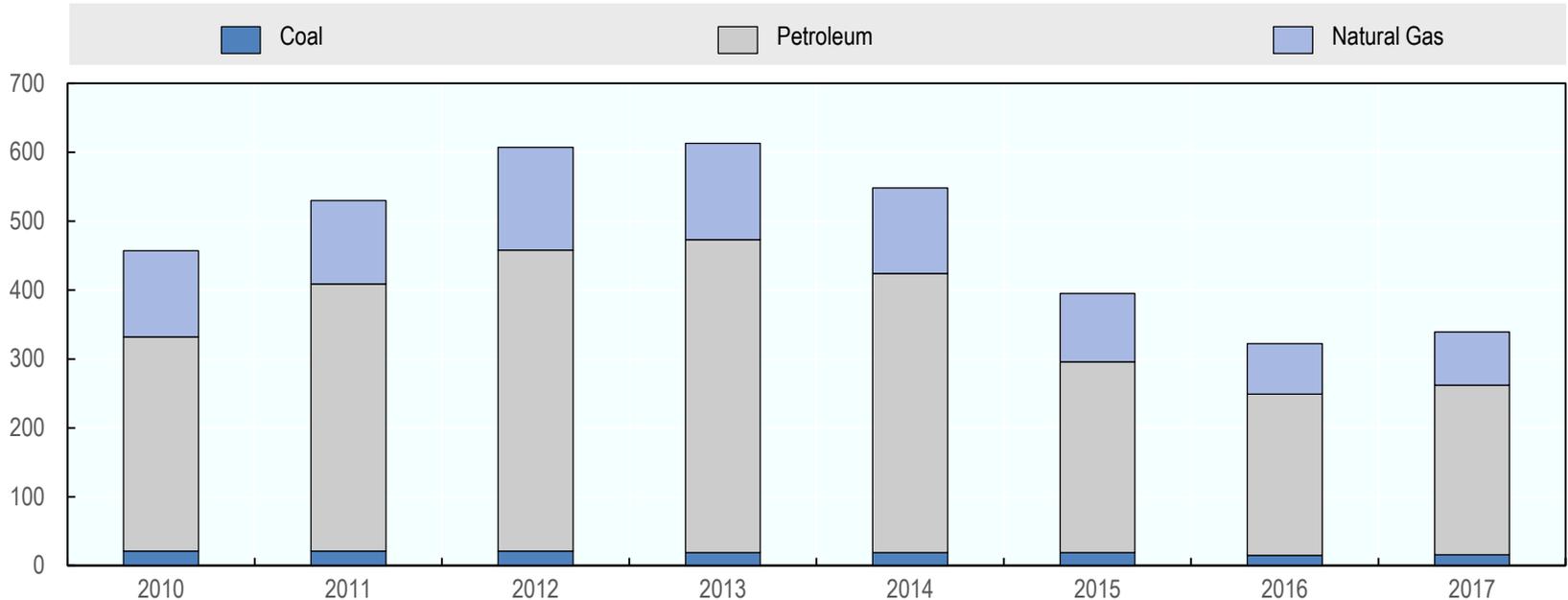
# Work is also continuing to better identify and quantify producer support in fisheries

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# OECD work was expanded in 2010 to cover support for fossil fuels

**IEA-OECD joint estimates of global support for fossil fuels (USDbn, current)**



Source: IEA and OECD.

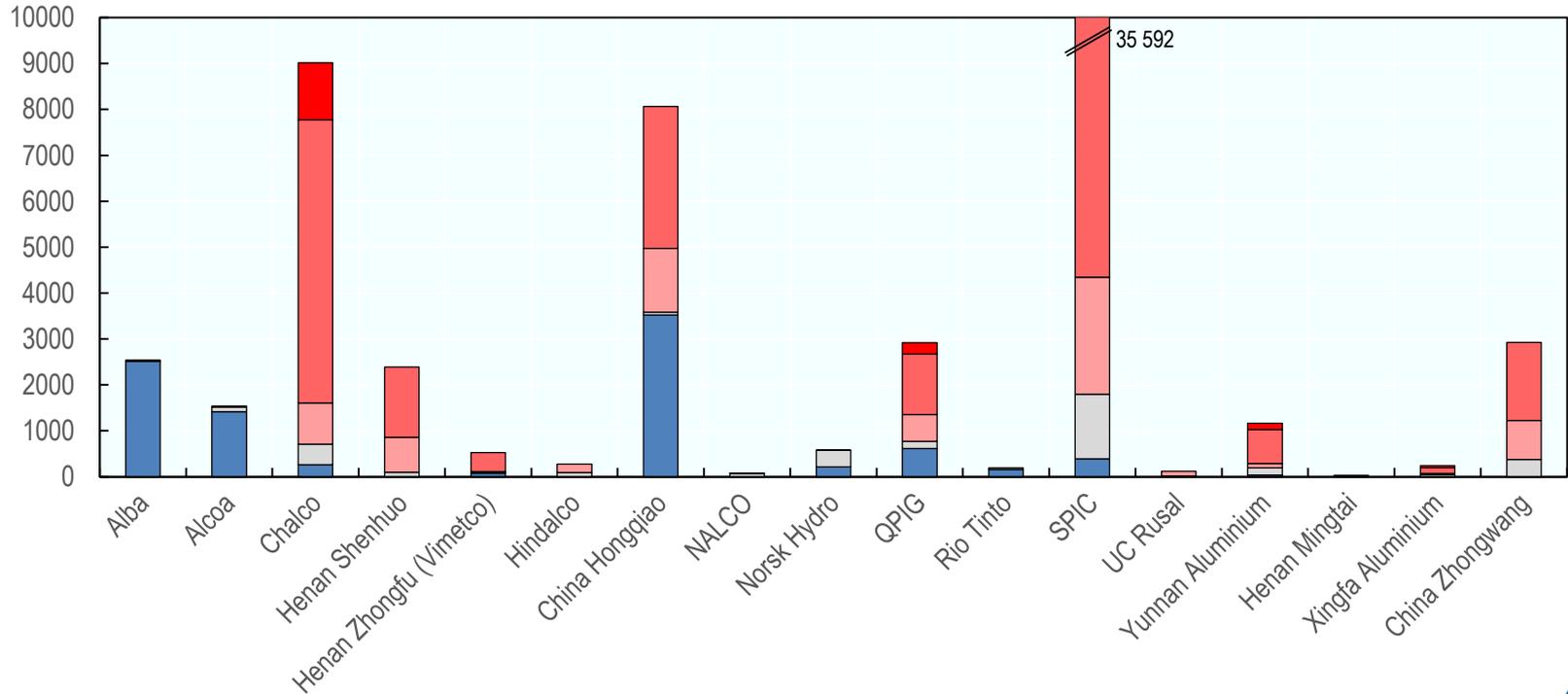
# The example of government support for fossil fuels

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# Support for several aluminium producers reached up to USD 70 billion over the period 2013-17

USD millions, current

- Support for energy and other intermediates
- Financial subsidies (Tier 2)
- Other non-financial support
- Financial subsidies (Tier 3)
- Financial subsidies (Tier 1)



# The example of government support in the aluminium value chain

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# Current work is seeking to expand the OECD approach to high-tech sectors

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# Once identified, it can be very hard to quantify any given support measure

