



GLOBAL
TRADE
ALERT

Corporate Subsidies & World Trade:

Evidence from the Global Trade Alert Subsidy Inventory 2.0

Presentation on 09 May 2023 to a joint webinar convened by the Italian Society of International Law & Swiss Society of International Law



Schweizerische Eidgenossenschaft
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Purpose of this presentation

- Ultimately, the purpose here is to use the launch of the GTA's Corporate Subsidy Inventory 2.0 to reflect on trade policy-related implications of the resort to corporate subsidies since the onset of the Global Financial Crisis. This timeframe allows for an examination of subsidy resort before the COVID-19 pandemic.
- A related goal is to contribute to the nascent deliberations among WTO Members about exploratory work they may undertake on the trade-related aspects of corporate subsidies.
- Various aspects of corporate subsidy awards and policy changes since the Global Financial Crisis are emphasised in this presentation—and identifies important trade-related dimensions that to date may not have received much attention by WTO Members.
- As this is a sensitive topic, no implementing jurisdiction is singled out in this presentation. Instead, information on resort to corporate subsidies by groups of nations is presented. Same for information on goods export exposure to foreign awards of corporate subsidies to import-competing firms.

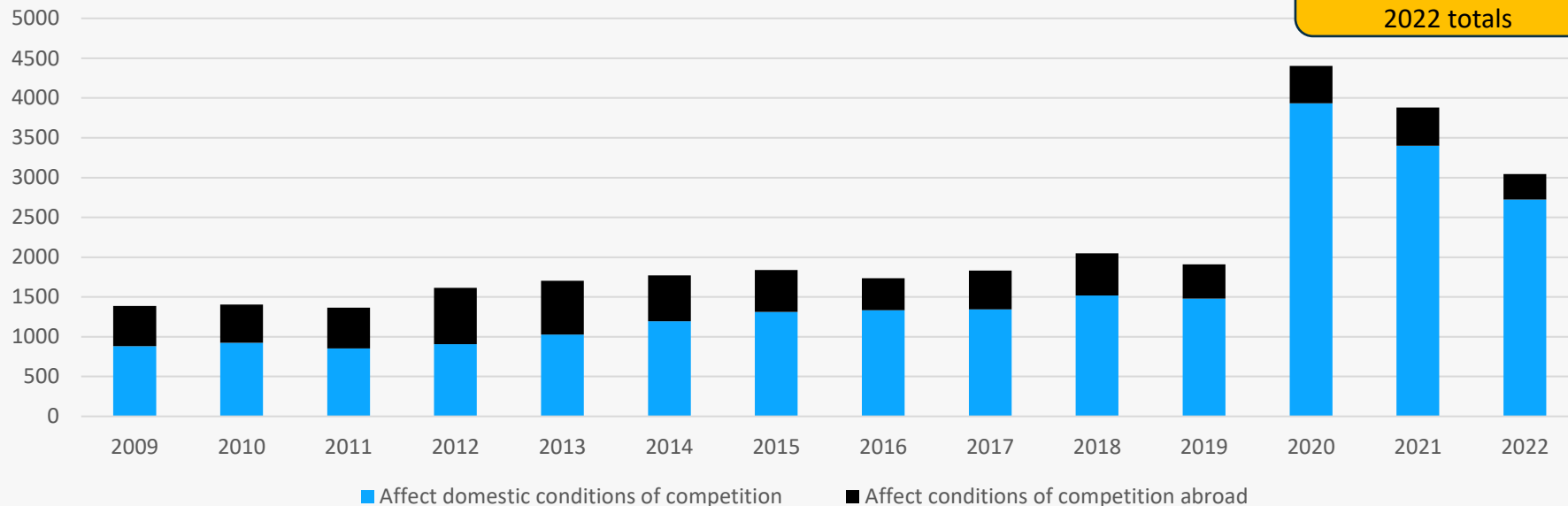
Key features of the GTA Corporate Subsidy Inventory 2.0



- To be released at the Heckscher-Ohlin Conference in Stockholm on 11 May 2023.
- Contains information on 31,116 subsidy awards or subsidy policy changes implemented by 57 customs territories since 1 November 2008.
- Based almost entirely on official sources or legally-mandated declarations of subsidies by companies listed on stockmarkets.
- Includes only subsidies received by organisations undertaking commercial activities, including firms exporting and companies investing abroad. No welfare state subsidies or transfers between governments.
- Relative treatment test used to classify if a corporate subsidy favours local or foreign firms.
- Corporate subsidies not excluded on environmental, innovation, R&D, and COVID-19 grounds.
- Subsidy types in Inventory linked to OECD and UN MAST categories for subsidies to facilitate comparison.
- Affected trading partners identified using automated procedures in case of goods sectors.

Subsidy awards and policy changes ratchet up with the Pandemic and remain high

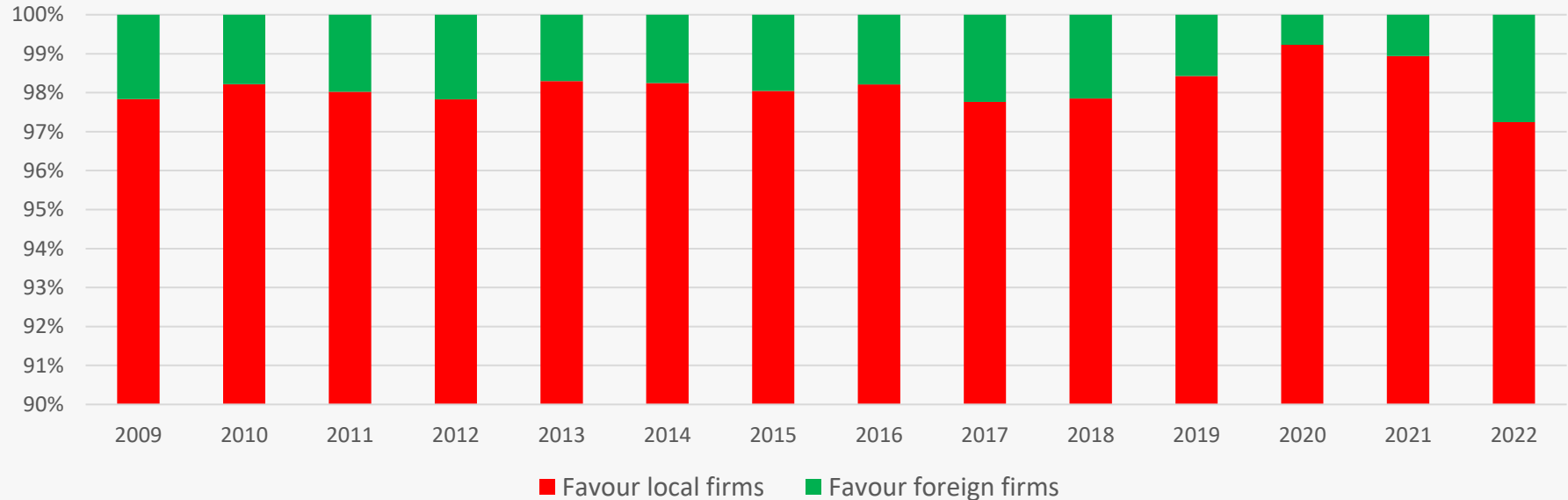
New subsidy awards and subsidy policy changes, by year



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

Almost all subsidy awards and policy changes favour local firms over foreign rivals

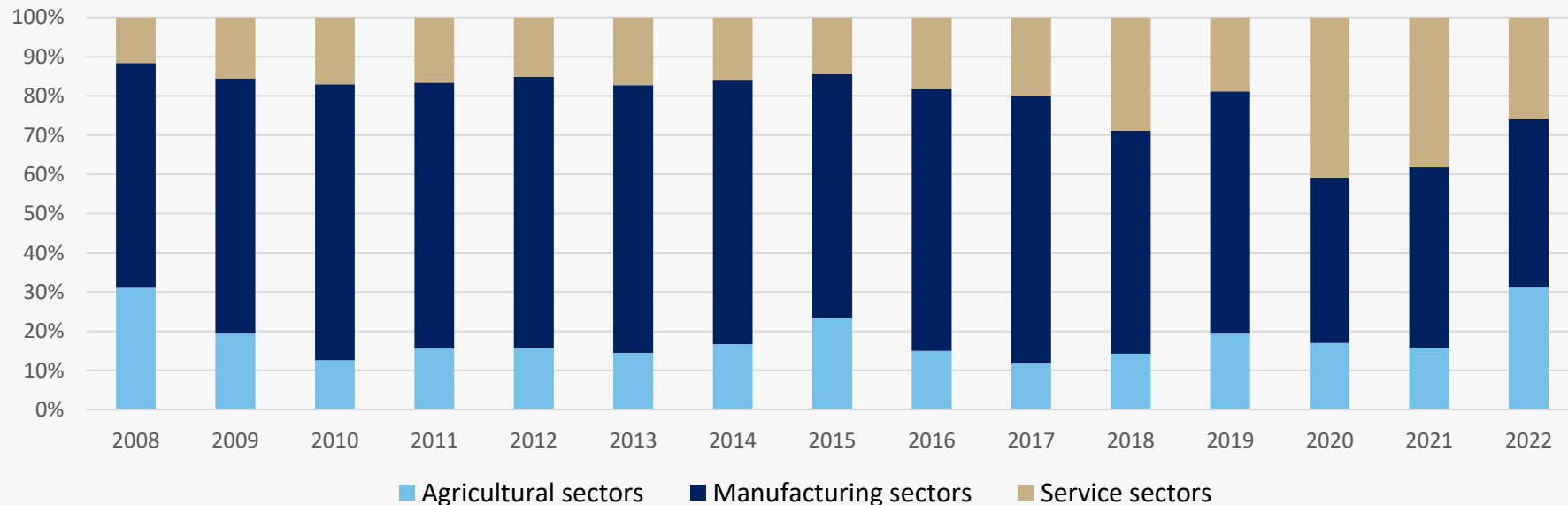
Less than 3% of subsidy awards and policy changes favour foreign firms



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

Sectoral breakdown of subsidy awards and subsidy policy changes

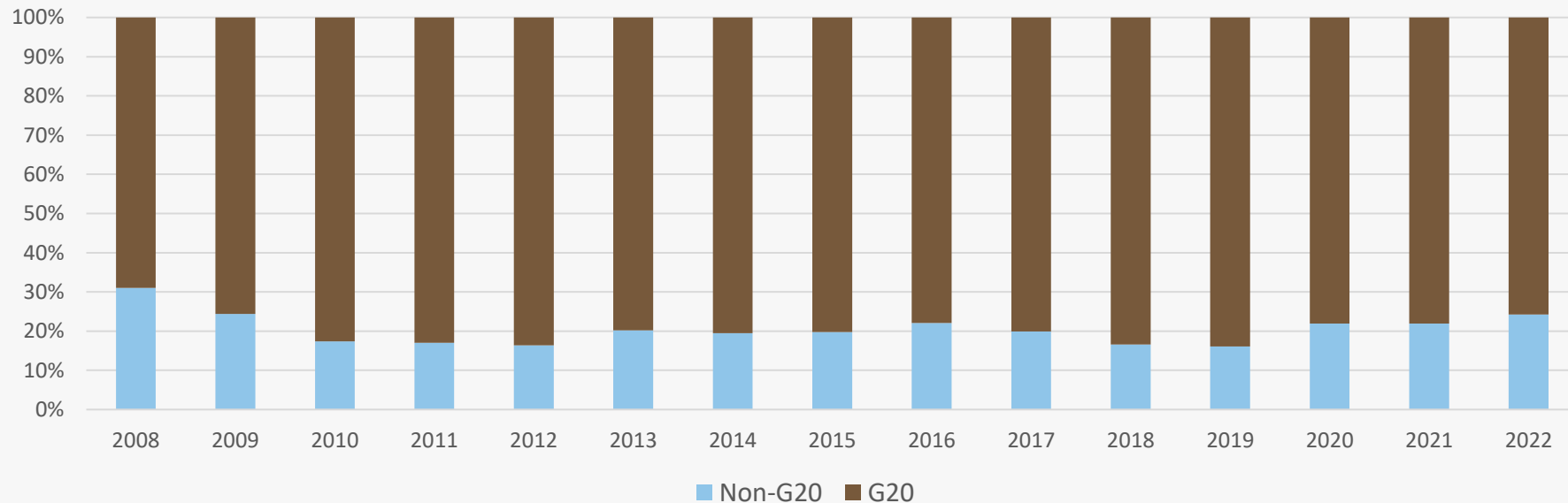
Percentage of entries in Inventory 2.0



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

Jurisdictions responsible for subsidy awards and policy changes in Inventory 2.0

Percentage of entries in Inventory 2.0



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

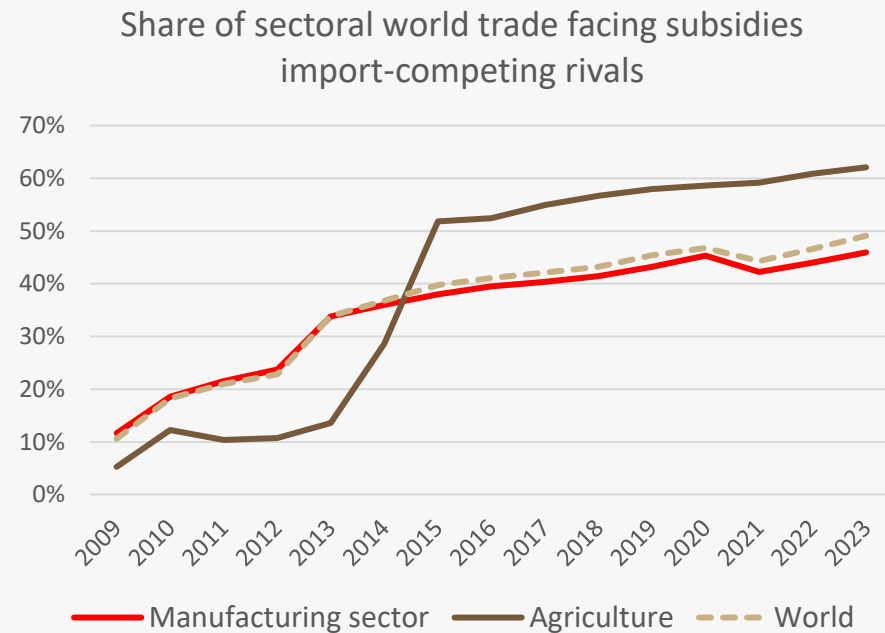
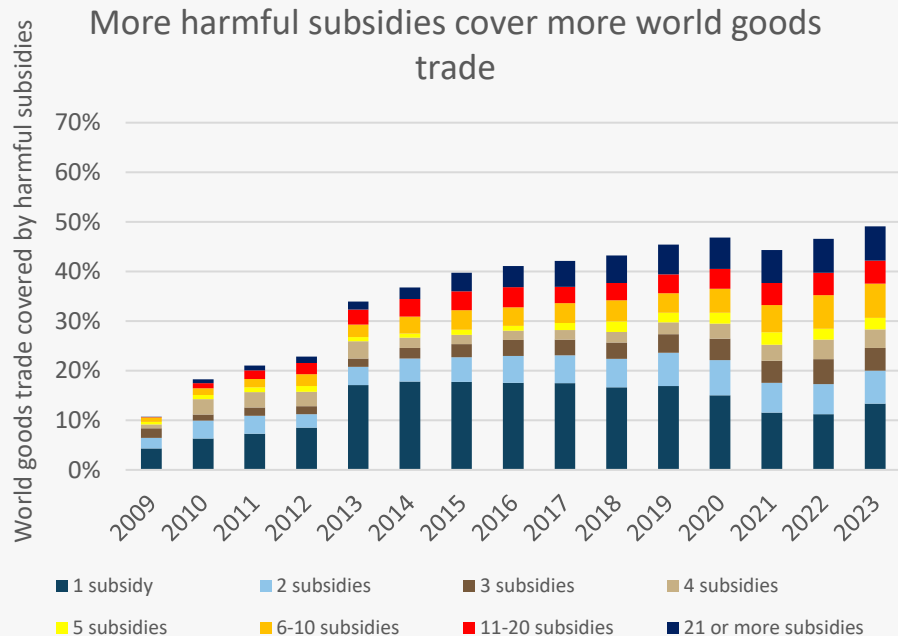
Corporate subsidies take many forms

Type of subsidy	Number of entries in Inventory 2.0
Financial grant	9626
State loan	7044
Trade finance	5450
Loan guarantee	1842
Tax or social insurance relief	1667
Financial assistance in foreign market	1248
Production subsidy	966
Capital injection and equity stakes (including bailouts)	933
Price stabilisation	647
State aid, unspecified	524
Tax-based export incentive	347
Interest payment subsidy	315
Other export incentive	155
Export subsidy	133
State aid, nes	104
In-kind grant	94
Other	50

Subsidies are not only implemented by national governments

Level of government responsible	Number of entries in Inventory 2.0
National government	17088
National financial institution independent of government	8512
International financial institution	3576
Subnational agency or government	1257
Supranational body	712

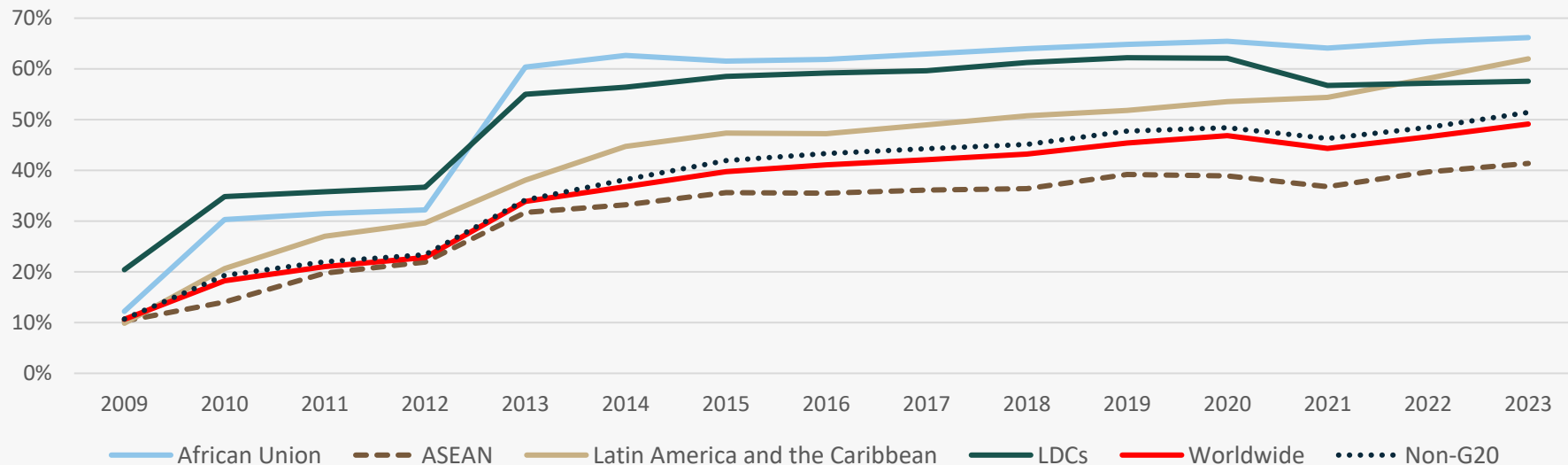
The build up of subsidies affecting goods trade



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

Goods exports at risk: Non-G20 nations at risk as well

Percentage of goods exports facing at least one subsidised import-competing rival in destination markets



Source: Global Trade Alert Corporate Subsidy Inventory Version 2.0.

Reflections on the corporate subsidy policy landscape from a trade policy perspective



- There is no need to rely on notifications to WTO to build a comprehensive picture of the global resort to corporate subsidies that is based on official sources and legal mandates to disclose.
- Perhaps we should reflect on what is a meaningful information release on corporate subsidies. Meaningful from the perspective of tracking subsidies across jurisdictions and over time in a consistent manner that facilitates analysis of commerce covered. Should a revised standardised reporting format be developed?
- Although it would be nice to have Producer Support Equivalents (PSEs) this would be a massive undertaking. As far as evidence is concerned, let's not make the perfect the enemy of the good.
- While more studies of effects of subsidies are always welcome, do we now know enough to declare that corporate subsidies are a first-order problem in the world trading system?
- Even before the COVID-19 pandemic, IRA etc, corporate subsidy awards had spread well beyond agriculture. Do we need to include discussions on subsidies in service sectors as well?
- Questions remain about how to address those corporate subsidies that might have some important non-economic payoff, such as facilitating transition to low carbon economy. What steps can discourage green-washing and climate-washing of subsidies?