



GLOBAL  
TRADE  
ALERT

# Subsidies & Market Distorting Practices: Findings of the 28th GTA report

---

Bruegel Webinar  
2 February 2022

Simon J. Evenett, Professor of International  
Trade & Economic Development and Founder  
2 February 2022

**St. Gallen  
Endowment**  
for Prosperity through Trade

- Extensive criticism of the “non-market” features of the Chinese development model, including the repeated critical claims about the harm done by overcapacity (see our [22<sup>nd</sup> report](#) for evidence).
- US legislative initiatives to promote American competitiveness involving subsidies.
- EU policies towards green and digital transitions.
- President Xi’s speech to Shanghai Export (4 November 2021).
- Trilateral Partnership being rethought (30 November 2021 announcement).

# Putting the facts on the table opens the door to better domestic policy & cooperation



- Inspired by the late Senator Moynihan:

"Everyone is entitled to his own opinion, but not his own facts."

- And by the saying of W. Edwards Demming:

"In God we trust. All others must bring data."

# We documented corporate subsidies that had the following four characteristics



1. A subsidy must involve an action or a commitment to action by a public body under certain circumstances.
  2. A subsidy must involve the actual or potential outlay of a public body's resources.
  3. A subsidy must confer an advantage on a firm.
  4. The subsidy must be selective in some meaningful respect.
- Our approach, therefore, is conventional and should be recognisable to any competition law or trade policy expert. Notice we don't make exceptions.

# How transparent are each of the Big 3 players in the world trading system?

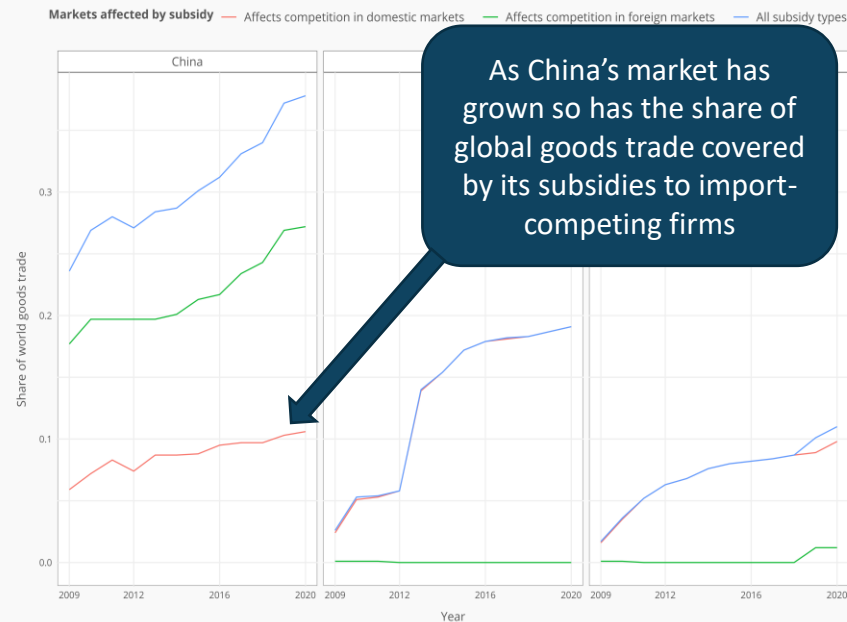
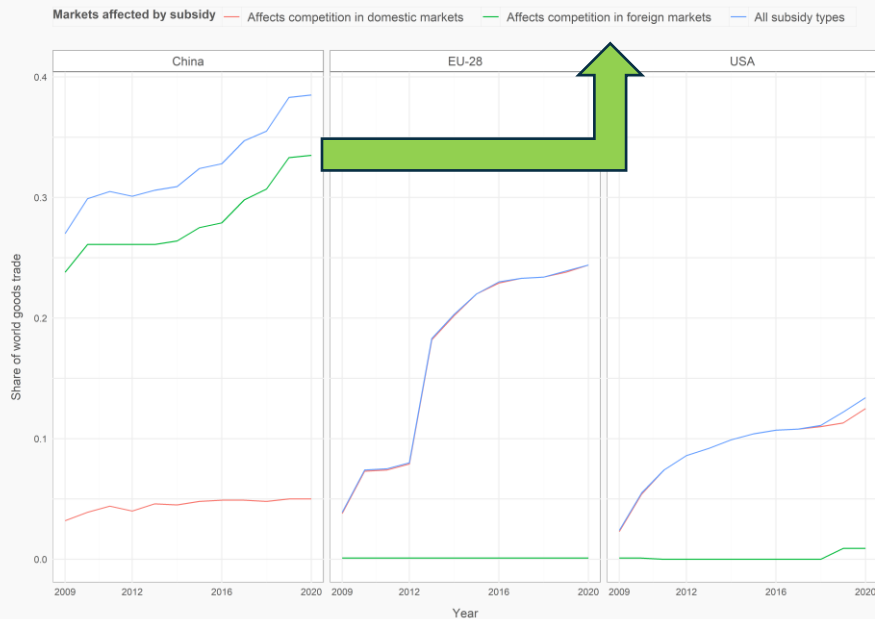
Jurisdiction	Observations
China (5,508 entries in our inventory)	<ul style="list-style-type: none"><li>• No centralised inventory of corporate subsidy information.</li><li>• Subnational governments do not publish inventories either.</li><li>• Publicly-listed Chinese companies must declare total value of subsidies received (financial flows only).</li><li>• Very little information available from public sources on export support.</li></ul>
EU-28 (6,667 entries in our inventory)	<ul style="list-style-type: none"><li>• Public relations notwithstanding, the EU State Aid Register is difficult to process information on corporate subsidies.</li><li>• Information provided on corporate subsidies defined to be outside the ambit of the EU state aid regime is typically fragmentary or scattered across different sources.</li><li>• Several member state development banks and export credit agencies publish little information on their financial support to firms.</li></ul>
USA (5,962 entries in our inventory)	<ul style="list-style-type: none"><li>• USAspending.gov is not as user-friendly as advertised.</li><li>• Few cities and US states comply with GASB 77.</li></ul>

# Main findings of Subsidies & Market Access: Each of the Big 3 have snow on their boots



- Two-thirds of corporate subsidies were awarded outside of crisis years.
- Less than 1.05% of subsidy changes reduced payments or eliminated them.
- Less than a quarter of corporate subsidies awards were in agriculture.
- Corporate subsidies are a feature of each development model.
- Before the pandemic, the Big 3's subsidies covered 62% of global goods trade.
- State support for exporters and FDI covered 25% of global goods trade.
- Evidence consistent with tit-for-tat dynamics exists (see slide 8).

# Global trade coverage of corporate subsidies is significant but trade weights used matter



Global trade weights used: Pre-GFC (2005-7)

Global trade weights used: 2019

# Tit-For-Tat Dynamics may have already emerged

Initial jurisdiction		China			EU-28			USA		
		Within 6 months	Within 12 months	Within 24 months	Within 6 months	Within 12 months	Within 24 months	Within 6 months	Within 12 months	Within 24 months
China	Introduce new subsidy	—	—	—	0.58	0.67	0.71	0.48	0.56	0.63
China	Introduce import curb	—	—	—	0.28	0.52	0.62	0.35	0.54	0.65
EU-28	Introduce new subsidy	0.56	0.83	0.89	—	—	—	0.71	0.79	0.87
EU-28	Introduce import curb	0.38	0.52	0.63	—	—	—	0.36	0.50	0.65
United States of America	Introduce new subsidy	0.42	0.62	0.73	0.76	0.84	0.90	—	—	—
United States of America	Introduce import curb	0.28	0.38	0.52	0.29	0.46	0.84	—	—	—

Notice high propensity for tit-for-tat across the Atlantic

Source: Global Trade Alert



# What next? An Informal Policy Dialogue on four substantive matters



- No appetite now for a multilateral negotiation on subsidies (beyond fisheries).
- Lay the ground for future talks with substantive discussion on:
  1. Scope, form, and trade covered by corporate subsidies.
  2. Scale of cross-border spillovers created by corporate subsidies.
  3. Identifying principles to design subsidies to promote commercial development that limit harm to trading partners.
  4. Identifying principles to design subsidies to promote the transition to a low carbon economy that limit harm to trading partners.
- Dialogue would need to be evidence-based, technocratic and even-handed and take place outside but near the WTO, and organised by a neutral third party.