



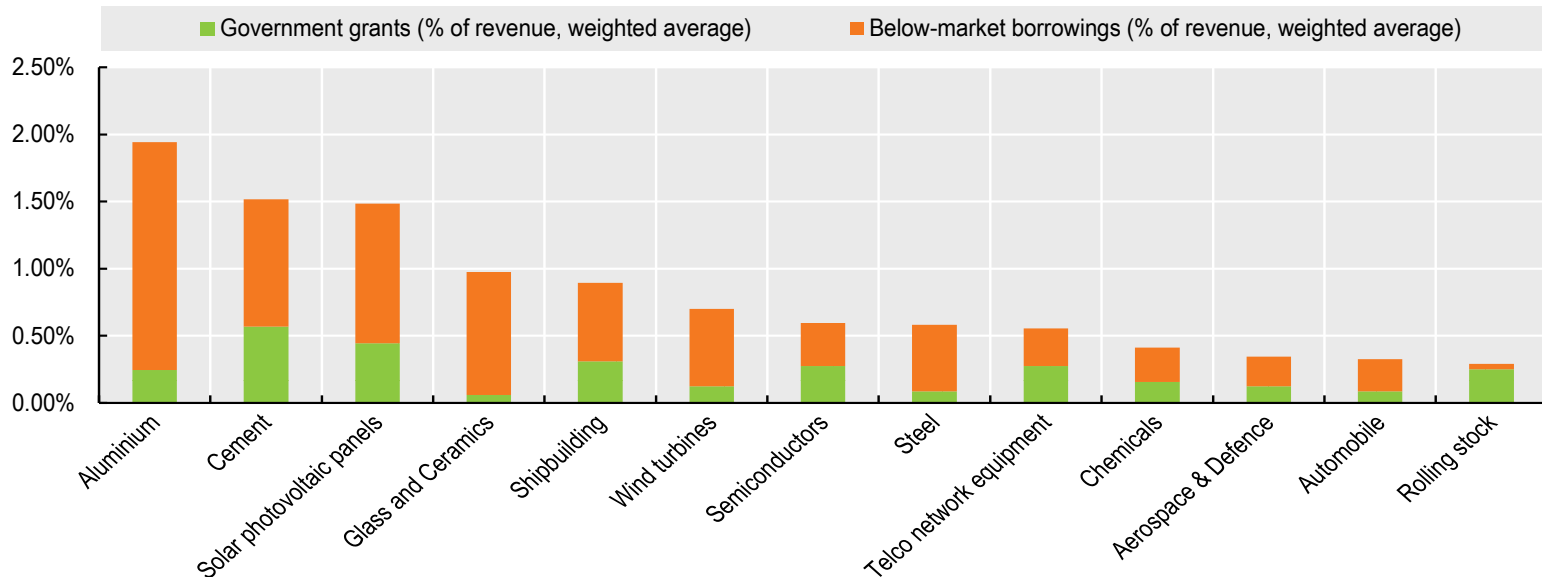
# The Level Playing Field and the Role of Industrial Subsidies

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# Industrial subsidies are a key trade concern...

The OECD has found industrial subsidies to be widespread and significant in 13 key industries



Note: Data are expressed relative to the sales revenue of the firms covered in the study over the period 2005-19. The graph above does not include tax concessions since these are less comparable across countries and sectors than other forms of support.

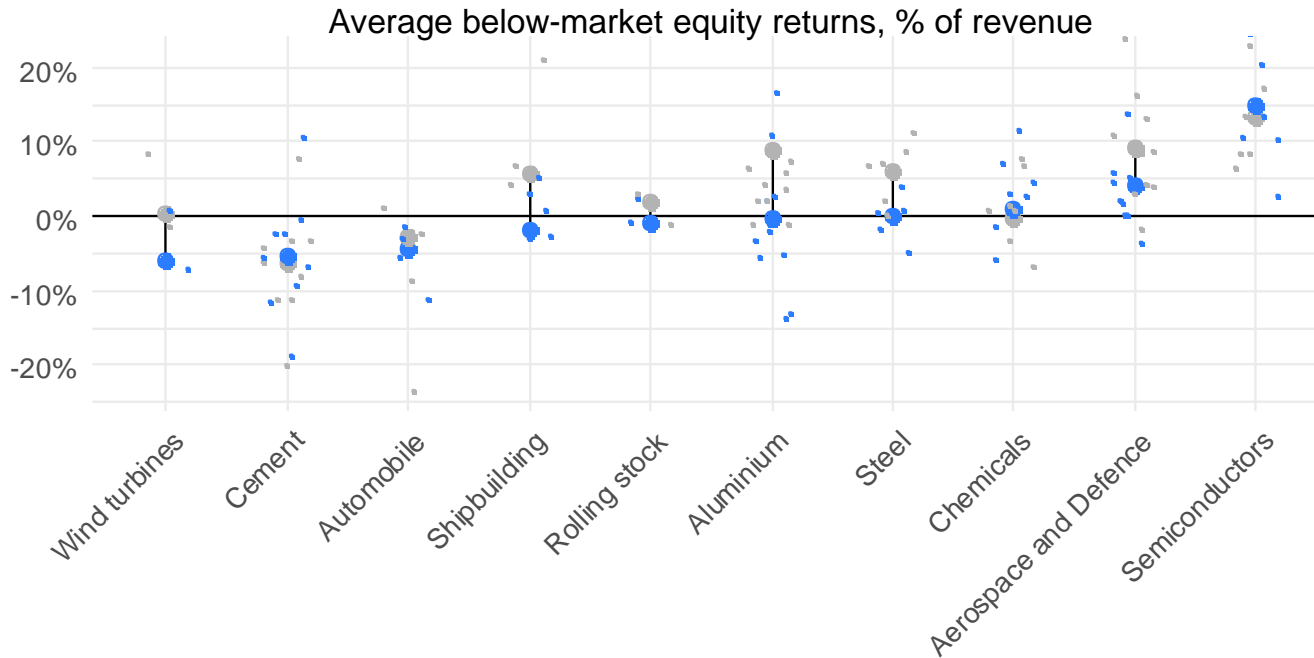
Source: OECD (2021), "Measuring distortions in international markets: Below-market finance", *OECD Trade Policy Papers*, No. 247, OECD Publishing, Paris.

## Two major challenges

- **Transparency:** how to know who does what.
- **Identifying which subsidies are distort competition in global markets.**

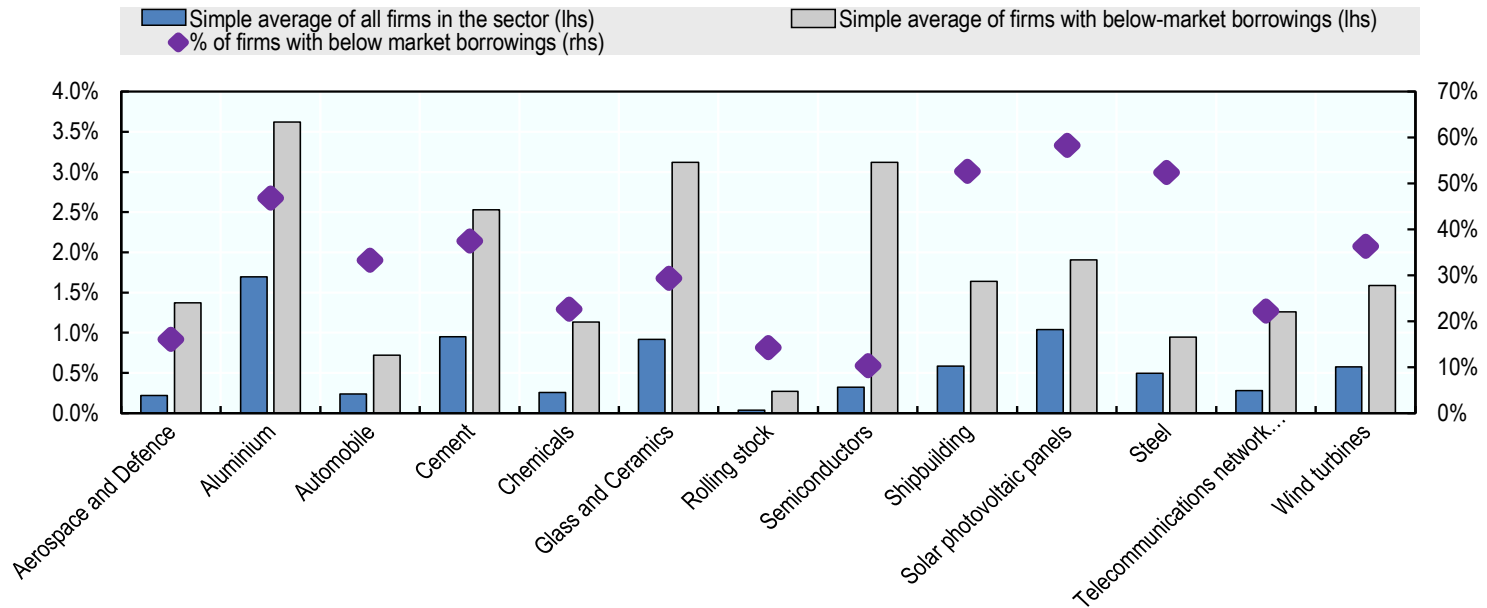


# Most below-market equity returns are found in semiconductors and aerospace



# Below-market borrowings appear especially marked in industries with excess capacity

Average below-market borrowings, % of revenue





## On transparency

- **Governments** need to improve their WTO notifications but also publish online better information about the support they provide to manufacturers.
- **Firms** can help by better disclosing the support they receive from governments in their financial statements, as well as adhering to evolving accounting standards on subsidy disclosure.
- **International organisations** need to invest more of their resources into the collection of better data on subsidies and analysis of the trade effects of subsidies.

## Distinguishing “good” versus “bad” subsidies for a better industrial policy

- There can be perfectly valid justifications for subsidies, including market failures and income redistribution.
- But there are also good and bad ways of designing subsidies, irrespective of their objectives.
- In the end, judging whether subsidies are trade distorting or not is an empirical question, which requires analysis using more and better data (back to transparency).

## **Contact us**

We look forward to answering any questions you may have!



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