

FMG on Subsidies

- Thanks FMG for the invitation, John Weekes, Professor Lu
- Thanks the speakers, Patrick Low and DDG Anabel Gonzales
- Will comment on speakers and if time permits, share a few thoughts of my own

Comments on Speakers

- Their conclusions: **needs for more information and data** for better analysis of subsidies; the IO could play more important role on this; transparency should be the first things WTO can do, international cooperation is key - Agree with all these. **May start dialogue among members and other resources eg, international organizations, academia, regional agencies, sectoral regulatory bodies, agree on transparency and notifications and could add monitoring mechanism** of government support measures in WTO ?
- Also they pointed out that there are **calls for revision of existing WTO rulebooks** on subsidies especially ASCM and AoA (GATS has no subsidies details) – also agree on this but perhaps no need for major revamp of the basic rules; maybe starting with **updating with flexibilities and have sectoral issues and also horizontal considerations ? eg., agriculture subsidies could be redesigned with environment and sustainability purposes, if bringing about “non-actionable” industrial subsidies, should be viewed with intellectual property**
- Some speakers may talk about bringing in **“Common but differentiated responsibilities CBDR”** – we can talk about this but still needs yardsticks. Eg., heavy subsidisers do more ? Do we want to “cut” or just “curb”

Personal views

- **Don't like subsidies** – populist tools, making farmers and business weak, distort international trade (monster, big fish)
- But to be realistic, **we need subsidies or more precisely government support** for the new emerging economy – eg. Farmers adopting digital tools, circular economy – although maybe we need “in kind” support more than “in cash” because money can't generate everything but non-financial assistance is not the subject of today. We focus only financial supports
- Looking at the present world, subsidies are used more than to protect infant, uncompetitive sectors than in the past, now there are more purposes
 - **Protect global commons** eg., climate, environment “greening economy”
 - Help in **emergency or humanitarian** situation eg., pandemic, famine, natural disasters
 - Shoring up **competitiveness or keep levelled playing field** eg, digital transformation, technology
 - Protect **national security or promote strategic sectors** eg., CHIPS Act, SOE supports
- So is the current **rules sufficient** to the current needs ? **Probably not**. Are they all valid objectives? Can't say but they are recognized in Article XX so probably can't dispute that.
- **What to do ?**
 - We may need subsidies but how to contain it so as not to disturb or distort international trade or create a new monster / big fish

- We could start with transparency, monitoring mechanism and increase data-sharing, policy and experience-sharing so people understand each other more.
- On the **rules**, don't want to see major revamp of basic rules, could do by
 - Encourage **non-trade distorting subsidies** as much as possible but with "proportionality"
 - **adding flexibilities** to help deal with current world situations (non-actionable for humanitarian or emergency but with proper conditions),
 - **provide greater and more practical S&DT** provisions (not only time),
 - looking at **horizontal relations** (agriculture and climate, R&D and TRIPS),
 - adding some **sectoral guidelines** but with conditions "conditional subsidies"
 - thinking about **sunset or time-limit** (but will this affect long-term policies even though can curb money spending), or **soft-competition rules** (for strategic subsidies)
 - **Development dimension: sharing benefits from subsidies as a form of S&DT**, not only give time (shorter protection from R&D innovation, partnering with developing countries, sin tax fund – more subsidies, more funding, access to technology that are results of subsidies, more market access to accompany subsidies
 - **making subsidies rules more benevolent** than trying to punish it (so people give more carrot than sticks)