

# WTO Subsidy Rules & Trade Financing By State-Owned Policy Banks

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# Overview of Presentation

- \* Why does the WTO have rules on subsidies?
- \* Who is subject to WTO subsidy rules?
- \* What kinds of measures are “subsidies” under those rules?
- \* How do those rules discipline the operations of State-Owned Policy Banks?
- \* When does S&D modulate those disciplines?
- \* Are there special rules for export credits?
- \* Implications of countervailing measures

# Why does the WTO have rules on subsidies?

- \* Legitimate policy objectives
- \* Trade effects
  - \* Protection
  - \* Trade liberalization

# Are State-Owned Policy Banks subject to WTO subsidy rules?

- \* Governments v. public bodies
- \* Role of ownership/control
- \* Vested with governmental authority?
- \* Examples (EIB, EDC)

# What kind of measures are “subsidies”?

- \* ASCM – goods v. services
- \* Special rules for agriculture
- \* Investment measures

# What kind of measures are “subsidies”?

- \* Financial Contribution
- \* Government or public body
- \* Benefit
- \* Specificity

# Financial contribution

- \* Defined list
- \* Includes loans, guarantees, equity investments

# Benefit

- \* Compared to the market
- \* Individualized – risk element



# How are subsidies disciplined?

- \* **Two “tracks”:**
  - \* WTO dispute settlement
    - \* Prohibited or actionable
  - \* Countervailing measures against subsidized exporters

# What subsidies are prohibited?

- \*Export subsidies
- \*Local content subsidies

# S&DT

- \* **Export subsidies**
  - \* LLDC
  - \* Annex VII countries
- \* **Local content subsidies**
  - \* Transition periods

# Actionable subsidies

- \* WTO dispute settlement
- \* Adverse trade effects
- \* *Cotton case*
- \* S&DT

# Export credit practices

- \* What is an export credit practice?
- \* The prohibition and conformity with the OECD Arrangement

# Countervailing measures

- \* Alternative track
- \* Action taken against subsidized imports
- \* Injury requirement
- \* Can be applied even if subsidies not prohibited

# Conclusion

- \* State-Owned Policy Banks may be subject to WTO subsidy rules
- \* Loans, guarantees, investments may be subsidies if at better than market rates
- \* Export and local content conditions could give rise to prohibited subsidies, unless:
  - \* S&D applicable; or
  - \* Export credits *conform* to the OECD Arrangement.
- \* CVM risk to subsidize exporters