



# Do we need new rules on subsidies they're the only safeguard for a strong EU?

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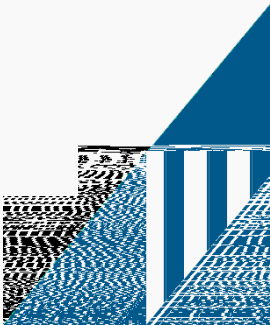
Julia Nielso

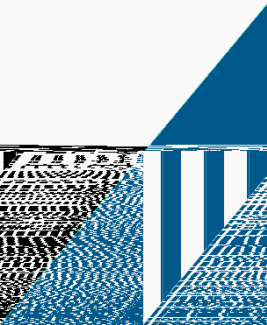




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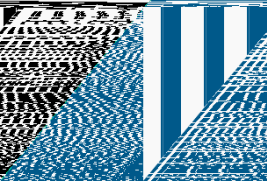
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- Level playing field and **distortions to competition** (beggar-thy-neighbour)
  - Encourages **investment in capacity that not otherwise built**, or keeps uneconomic capacity alive (with effects on prices, jobs)
  - **Other spillovers** (governance, environment)
  - Increased pressure in **severe demand downturn** and different speeds of recovery
  - **Undermines faith in global markets and the fair global economy**



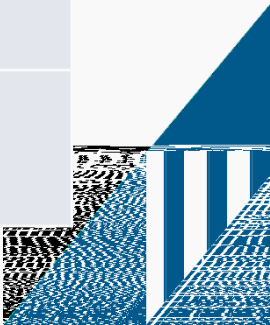


# UNDERSTANDING GOVERNMENT SUPPORT



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		Statutory or Formal Incidence (to whom and what a transfer is first given)					
		A: Output returns	B: Enterprise income	C: Cost of intermediate inputs	Costs of Value-Adding Factors		
					D: Labour	E: Land and natural resources	F: Capital

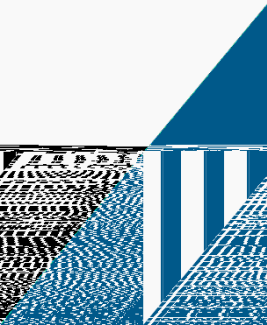


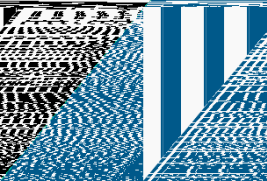


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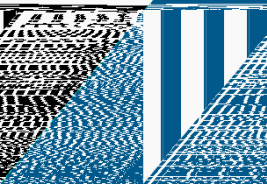
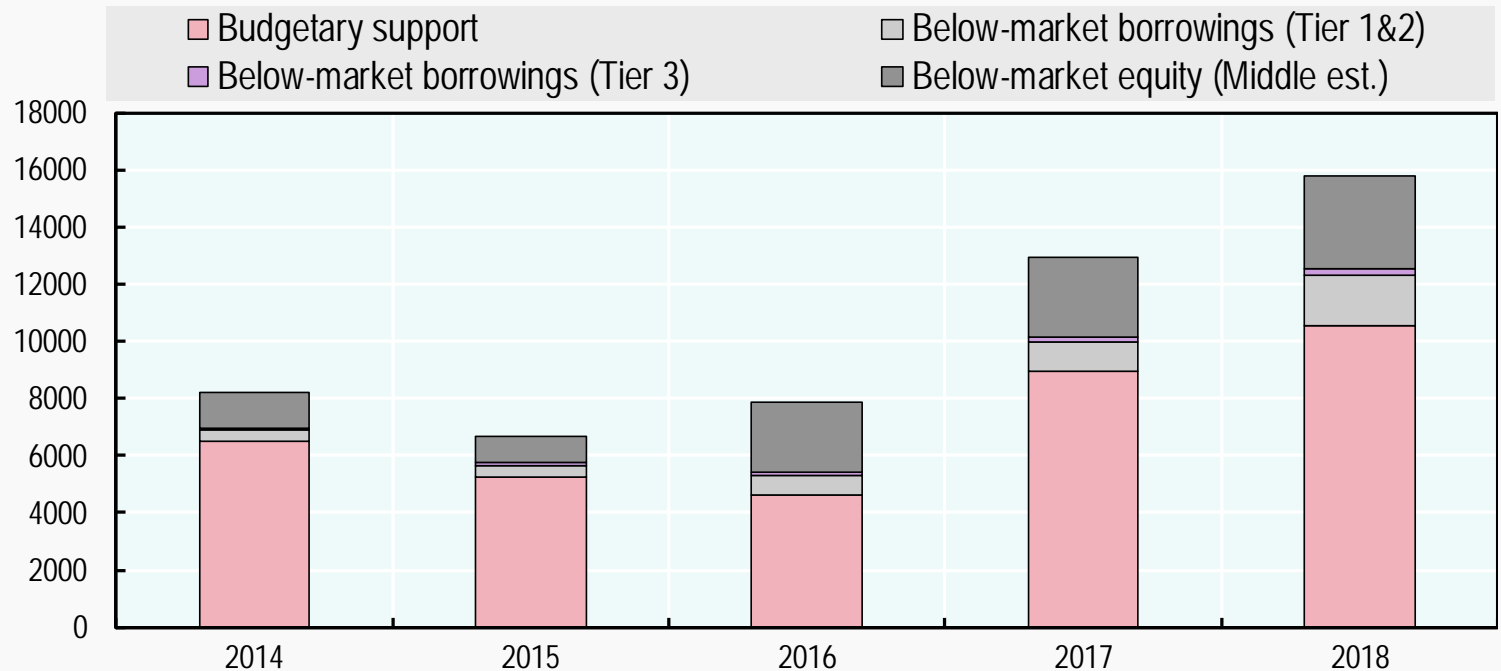




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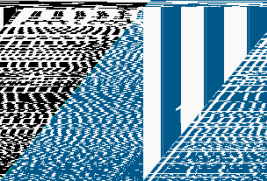
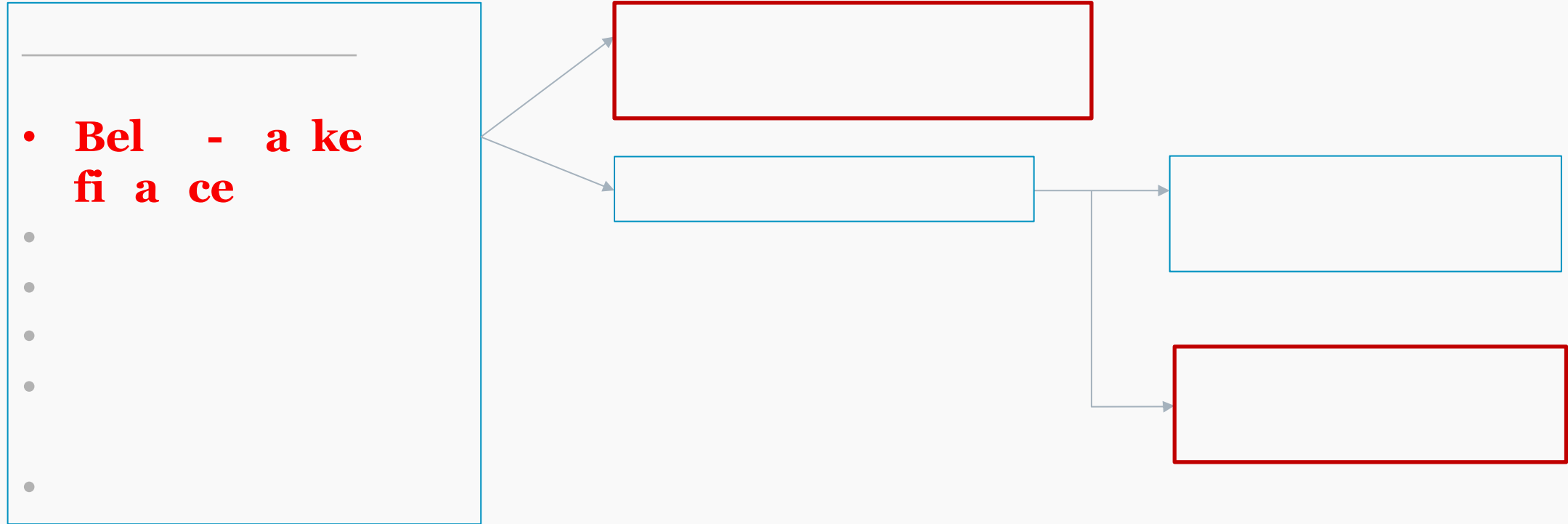
- R&D subsidies are significant
  - B
  - ?
- How to treat government ownership in firms?
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- Below market finance significant: loans (debt), but also equity
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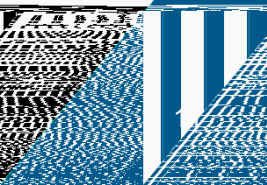
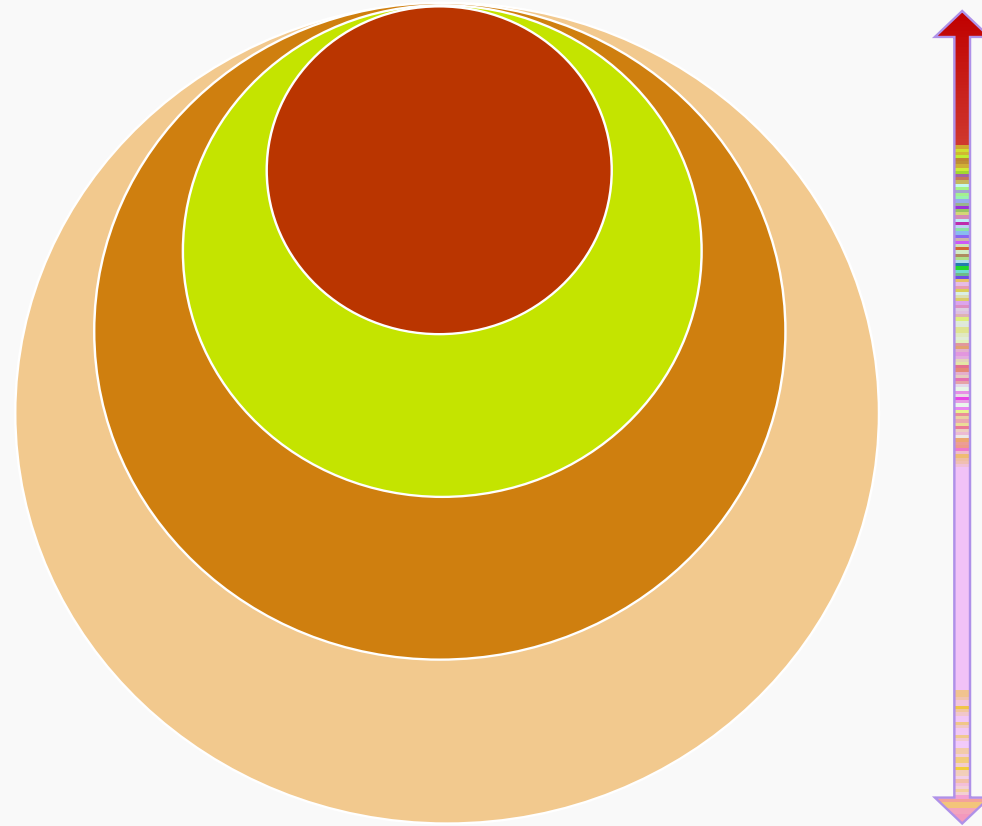


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# Support estimates differ in precision and complexity

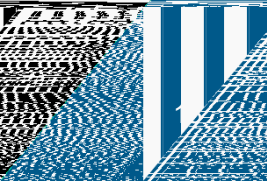


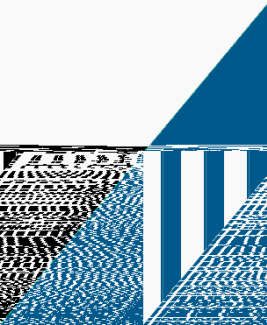




# WTO notification gaps on support

- - WTO notification gaps on support
- - The need for agreed market benchmarks
  - Insufficient information on government ownership of companies

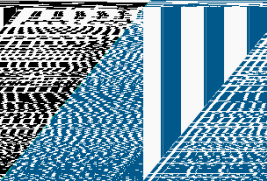






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- International co-operation needed for ground rules on how to provide support measures that
  - Are
  - Are necessary for fixing
  - Enable in boosting productivity and living standards
- - E.g., mitigate environmental harm, R&D efforts that may otherwise be under-supplied by markets
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