



## SEA EUROPE CALLS FOR UNILATERAL MEASURES TO ENFORCE LEVEL PLAYING FIELD IN SHIPBUILDING

Brussels, 20 December 2019

There are no effective international trade tools for the shipbuilding industry to address the problem of overcapacity and its root cause (i.e. market-distorting support measures provided by non-EU jurisdictions and unfair practices). This is more than ever clear after last week's decision by the OECD WP6 to suspend the exploratory discussions on a new Shipbuilding Instrument. Such a decision was *de facto* triggered by South Korea's lack of willingness to engage in a meaningful discussion towards any effective international solutions.

In 2016 SEA Europe took the initiative to push for a relaunch of the OECD talks in light of the dramatic imbalance of supply and demand in the world shipbuilding market exacerbated by market-distorting support measures and practices preventing a recovery of the market to healthier levels. Since day one SEA Europe invited all the relevant Parties to solve the core problems of the global shipbuilding industry collectively through a new shipbuilding instrument. Also the global shipbuilding industry in the context of the global business summit JECKU called on Governments to review the framework conditions to address excess capacity and low profitability. Regretfully, since the very beginning, South Korea has blocked any progress on such instrument and last week's WP6 meeting confirmed there is no prospect of finding a consensual decision in the framework of the OECD.

The need for a global shipbuilding instrument should be seen in light of the absence of any trade defense instruments in the WTO rulebook, which does not apply in an effective way to shipbuilding due to the specific nature of ships and their market.

For EU shipbuilding, moreover, there are no effective tools at all, neither to deter unfair practices nor to respond to unfair foreign competition. SEA Europe therefore calls upon the EU to urgently adopt new tools to fill in the current gaps in its domestic toolbox, and thereby safeguard the existence of the strategic EU maritime manufacturing and industrial base, maritime know-how and technical capabilities in Europe. This call is fully in line with Action No 8 of the European Commission Communication on China of 12 March "*EU-China – A strategic outlook*", which acknowledges the deficiencies of the existing tools to address the impact of unfair competition.

SEA Europe Secretary General Christophe Tytgat said "In its Communication *EU-China – A strategic outlook*, the European Commission has acknowledged that EU policy tools and trade defense instruments do not fully cover all effects of unfair subsidies or support by third countries. This is particularly the case for shipbuilding. This industry has been suffering from a unique lack of effective trade defense instruments resulting in an almost complete loss of major merchant shipbuilding market segments to Asia.

It is regrettable that the OECD WP6 has once again demonstrated its inability to develop an effective international solution, due to the lack of genuine commitment from South Korea. But absence of international rules does not mean absence of rules. For good reasons the EU has given itself a strong set of competition rules including a tight subsidy control regime. Under the EU state aid rules, it is strictly prohibited for Member States to enable their shipyards to offer loss-making prices. However, contrary to the EU, foreign governments can do so to the benefit of their own shipyards and thereby render it impossible for European shipyards to compete on fair grounds. The EU should therefore apply its own rules to any ship operating in the internal market.

SEA Europe also calls upon the EU to adopt new effective trade defense and competition rules to ensure equal treatment and safeguard the strategic European maritime technology sector. These rules should fully take into account the global competitive environment and international trade developments. This environment and developments also need to be taken into consideration when assessing mergers. If the EU does not take any actions, a strategic sector for Europe generating 1 million jobs across Europe will be in danger. The time for the EU to act in support of Europe's shipbuilding sector is now!".

**Background Note:**

SEA Europe represents close to 100% of the European shipbuilding industry in 16 nations, encompassing the production, maintenance, repair and conversion of all types of ships and floating structures, commercial as well as naval, including the full supply chain with the various producers of maritime systems, equipment material, and services.

For further information please visit [www.seaeurope.eu](http://www.seaeurope.eu), or contact:

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