

OECD Council Working Party on Shipbuilding (WP6)

What is the OECD?

Founded in 1961, the OECD is an intergovernmental organisation that brings together 30 member countries committed to democracy and the market economy. The OECD addresses the economic, social and environmental challenges of globalisation, and it is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as structural change, innovation, corporate governance, the information economy and the challenges of an ageing population.

The OECD is also the world's largest and most reliable source of comparable statistical, economic and social data. It provides objective comparative analysis of members' policies and performance, develops practices, and undertakes peer reviews on a wide variety of key economic, social, industry and innovation policy issues. The OECD's work is not only for the benefit of members, as it reaches out to over 100 developing and emerging economies to share experience and expertise. See also the OECD web site at www.oecd.org.

What does the Council Working Party on Shipbuilding do?

The work of the OECD is carried out in Committees and Working Parties, where national representatives advance ideas and review progress in defined policy areas. The OECD Council Working Party on Shipbuilding (WP6) is the only body that provides an international platform for the exchange of information and the carrying out of economic and policy analysis on all aspects of the shipbuilding sector. Its principal aim is to progressively establish normal competitive conditions in the industry, and in the course of achieving this objective it works to encourage transparency in the industry and seeks to expand its policy dialogue with non-OECD economies that have significant shipbuilding industries.

What is the importance of building close relationships with non-OECD economies?

While the world's shipbuilding industry enjoyed record production levels in recent years, it now faces a number of challenges flowing from the economic crisis affecting all major economies, and which will inevitably lead to falling demand. This coupled with rapidly growing shipyard capacity will almost certainly result in global capacity exceeding demand, will place the economic viability of the industry under pressure in some parts of the world. Persistent and/or serious worldwide overcapacity may encourage governments to provide support through subsidies and other measures, as well as encouraging other market distorting practices, which can create major structural problems even in the most efficient shipbuilding industries. These potential market distortions can be addressed through close cooperation among all shipbuilding economies, whether developed or emerging, in order to encourage and maintain normal competitive conditions in the world shipbuilding industry.

In view of this, the WP6 has placed a very high priority on establishing close working relationships with non-OECD economies with significant shipbuilding activities. In particular, non-OECD economies were encouraged to participate on an equal footing with OECD members in the negotiations on a shipbuilding agreement that ran from 2002 until they were paused in September 2005. Brazil, China, Croatia, the Philippines, Romania, the Russian Federation, Chinese Taipei and Ukraine participated in those negotiations. The WP6 also organises regular Workshops (the latest in December 2008) aimed at facilitating the exchange of information on policy and industry developments, and as well as the economies already mentioned other participants have come from India, Indonesia, Malta and Lithuania, amongst others. Material related to the December 2008 Workshop can be found at our website www.oecd.org/sti/shipbuilding.



Non-OECD economies can initially participate in the work of the WP6 on an ad-hoc basis (eg. at Workshops), and where there is mutual interest and benefit this involvement can be formalised through observer status, or in some cases full participation, both of which confer rights and responsibilities to the participating non-OECD economy.

What have been the Working Party's principal activities?

The focus of the Working Party's Programme of Work continues to be on creating normal competitive conditions in the industry. Its main activity in recent times has been the negotiations of a legally enforceable multilateral agreement aimed at reducing, and if possible eliminating, subsidies and other support measures that distort the market. As noted earlier, these negotiations were paused in September 2005. While awaiting the restart of those negotiations the WP6 has been undertaking a number of work activities intended to increase transparency in the shipbuilding sector. Recent and current work activities include:

- The compilation of an Inventory (and analysis) of subsidies and other support measures provided to the shipbuilding sector. A number of non-OECD economies are participating in this activity.
- The examination of factors that affect the structure of the world shipbuilding industry. A number of non-OECD economies and shipbuilding enterprises have participated in this project, which will be a major component of a Workshop with non-OECD economies scheduled for December 2008.
- A report on ship financing practices and developments.
- An examination of short to medium trends in shipbuilding.
- In conjunction with the shipbuilding industry the development and adoption of a revised compensated gross ton system (cgt), which is widely used within the industry.
- A series of reports on the shipbuilding industries in both OECD and non-OECD economies. The economies whose industries are being examined are encouraged to fully participate in the preparation of these studies. China and Vietnam were the first to be examined, and both actively participated.
- In consultation with the industry, the analysis of world shipbuilding supply and demand.
- An examination of the interaction between the ship repair, conversion and shipbuilding sectors.
- Regular review and updating of the Sector Understanding on Export Credits for Ships.

What are some of the Working Party's possible future activities?

Subject to any future decisions on the possible resumption of the shipbuilding negotiations, as well as future decisions by the WP6 on its Programme of Work, some new activities for 2009/10 include:

- Environmental and climate change issues, and their implication for the shipbuilding industry.
- Possible examination of the relationship between the shipbuilding industry and marine equipment manufacturers.
- Examination of developments affecting the principal inputs to shipbuilding (steel, other materials, equipment, labour).

More information on the WP6 can be found on our website at www.oecd.org/sti/shipbuilding or by contacting Mr. Danny Scorpecci, Principal Economist at danny.scorpecci@oecd.org

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