HISTORY OF THE OECD COUNCIL WORKING PARTY 6 ON SHIPBUILDING

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Since 1945 the centre of gravity moved from Europe to the Far East

Concentration in Europe
Late ’50 -- Emergence of Japan
Early ’80-- Appearance of Korea
2000/2005 -- China becomes the major player
Results of the change: overcapacity marked, inter alia, by:

- Depressed prices
- Low profit margins
- Trade distortions and
- Widespread subsidisation
Reaction of OECD governments to the shipbuilding turbulences

• Creation of the OECD Council Working Party on Shipbuilding mandated:

with the restauration of competitive conditions
Three main OECD instruments to respond to market developments

• Sector Understanding on Export Credits for Ships (SSU)

• General Arrangement for the Progressive Removal of Obstacles to Normal Competitive Conditions in the Shipbuilding Industry

• General Guidelines for Government Policies in the Shipbuilding Industry
Sector Understanding on Export Credits for Ships (SSU)

Inter alia:

• 12 years maximum repayment term

• Minimum 20% cash payment by the purchaser

• Repayment of the loan to be in equal instalments

• Interest premiums: minimum 6 months, maximum 12 months
General Arrangement for the Progressive Removal of Obstacles

It called upon all governments for the progressive removal of:

• Government subsidized export credits
• Direct subsidies to the shipbuilding industry
• Discriminatory tax policies, discriminatory official regulations
• Specific aid for investments
• Subsidies for restructuring of the domestic shipbuilding industry and all other forms of indirect public aid

Evolution:


• The 1983 version does not contain a deadline for the elimination of subsidies
General Guidelines for Government Policies in the Shipbuilding Industry

It called, in particular, for close co-operation

• not to provide any aid prolonging the structural disequilibrium of the market
• To eliminate excess capacity and
• To restructure shipbuilding industries

Evolution:
agreed in 1976 and revised in 1983
“Agreement Respecting Normal Conditions in the Commercial Shipbuilding and Repair Industry”

Three basic elements:

1. A subsidies discipline, which bars direct and indirect subsidies as well as official regulations and practices

2. An injurious pricing instrument which makes anti-dumping applicable to shipbuilding; and

3. A binding dispute settlement before an international panel in case of violation of the subsidy discipline an/or the injurious pricing instrument, backed by remedies and sanctions
The three amendments by the US House of Representatives on the implementing US legislation:

1. An extension of the period for terminating guarantee provisions and providing that vessels that have obtained guarantees under the old terms of the Title XI be delivered by January 2002

2. A clarification that nothing in the Agreement would have the effect of changing the US built requirement of the Jones Act, and

3. an exception for defense features, clarifying those such features in commercial vessels would not be subject to any provisions in the agreement
Prospects for future activities of the Council Working Party

Keep under review and exchange views in permanent collaboration with non-members on:

- Macro factors
- Market and non-market factors
- Innovation; technical and economic
- Political considerations
- Human capital: intensify work in collaboration with relevant trade unions

In addition:
- a number of special studies on maritime industries
- In the longer term, the Working Party could form a focal point for all maritime industries