OECD SHIPBUILDING NATIONS
AND KOREA SIGN HISTORIC ANTI-SUBSIDY AGREEMENT

1. The Commission of the European Community and the
Governments of Finland, Japan, the Republic of Korea, Norway,
Sweden and the United States (the Participants), acting within the
context of the OECD Council Working Party on Shipbuilding, opened
negotiations in the autumn of 1989 on an Agreement Respecting
Normal Competitive Conditions in the Commercial Shipbuilding and
Repair Industry (the Agreement). On the occasion of the Working
Party’s meeting of 21st December 1994, the representatives of the
Participants adopted the Final Act of the negotiations, which
opened the Agreement for signature. The representatives of the
Commission of the European Community and the Governments of
Finland, Norway, Sweden and the United States also signed the
Agreement on that occasion; the representatives of Japan and the
Republic of Korea announced their intention to do so after
completion of the necessary internal procedures. The Agreement is
scheduled to enter into force on 1st January 1996.

2. The Agreement is intended to establish, in a legally
binding manner, a ‘level playing field’ for competition in the
shipbuilding industry of the OECD countries and Korea. It does so
through three basic elements:

-- a subsidies discipline, barring direct and indirect
subsidies as well as official regulations and practices in
favour of the shipbuilding industry; specific provisions
exist for research and development assistance, assistance
to workers who lose their employment, and for
non-concessional publicly supported credits to foreign and
domestic buyers of ships (i.e. export credits and home
credits).

-- an injurious pricing instrument making anti-dumping
applicable to shipbuilding for the first time; since ships
are not imported for sale, the GATT 1994 Anti-Dumping Code,
which relies on anti-dumping duties at the border, has not
been applicable to trade in ships;
-- binding dispute settlement before an international Panel (except for export credits), in case of violation of the subsidy discipline and/or the injurious pricing instrument, backed up by remedies and sanctions.

3. Because of its comprehensive market coverage of market distorting measures and its legally binding nature, it is hoped that the new Agreement can be an effective means to promote normal competition in the shipbuilding market in the future. Covering about 80 per cent of the world shipbuilding market, the Agreement can be expected to attract other shipbuilding countries to accede and accept the same disciplines.

4. Other States with a commercial shipbuilding and repair industry may become Party to the Agreement, subject to the approval of the prior parties. Poland, Russia, Romania, Brazil and China are currently major non-OECD shipbuilding nations.

5. On the occasion of the signing of the Final Act, the Participants endorsed a statement of concern by the Chairman of the Working Party on Shipbuilding of the OECD Council about clear indications of significant increases in shipbuilding capacities which may aggravate the world-wide imbalance between demand and supply and may lead to the risk of distortive practices by the shipbuilding industry.