Temporary defensive mechanism to shipbuilding

2001/0153(CNS) - 25/07/2001 - Legislative proposal

PURPOSE: To impose a defensive mechanism to shipbuilding following unfair practices by South Korea. CONTENT: Since March 2000 the European Union has been holding talks with South Korea in an attempt to stamp out unfair practices. Agreements have been reached to avoid financially non-viable over-investments and price undercutting as well as agreements that ship prices should reflect all cost factors. In spite of these measures, the Commission asserts the South Korean government continues to flout the rules resulting in unfair competition for European shipbuilders. Consequently in May 2001 the Council authorised the Commission to commence WTO proceedings against South Korean practices should no agreement have been found by 31 June 2001. Given that no negotiated solution has been reached with Korea, the Commission now considers that it should bring the case to the WTO and propose a temporary defensive mechanism. In this proposal for a Council Regulation, the Commission emphasises that operating aid has not been an effective tool in defending Community ship yards from unfair international competition. For this reason operating aid was discontinued as from the start of 2001. The proposal is for an exceptional and temporary measure that will be strictly limited in scope to those market segments where it can be demonstrated that the EU shipbuilding industry has been injured by South Korean trade practices. The Directive is specific to: - container ships; - product and chemical tankers. For these segments, the proposal foresees, in certain circumstances, a maximum aid intensity limit of 14% of contract value before aid. All offers of aid above 6% must be notified to and approved by the Commission. The proposed temporary defensive mechanism should accompany the Community's action's against Korea in the WTO. It should apply only after the Community initiates the WTO proceedings by requesting consultations with Korea. Lastly, it is proposed that the legislation will not apply after the WTO proceedings are resolved or suspended and that it will, in any case, expire n 31 December 2002.