Temporary defensive mechanism to shipbuilding: duration

2004/0008(CNS) - 21/01/2004 - Legislative proposal

PURPOSE : to amend Regulation 1177/2002/EC concerning a temporary defensive mechanism to shipbuilding. PROPOSED ACT : Council Regulation. CONTENT : further to the Republic of Korea's failure to implement the provisions of the Agreed Minutes relating to world shipbuilding signed on 22 June 2000, the Council approved on 27 June 2002 the so-called "twin-track strategy" proposed by the Commission. This strategy involves two instruments: - the initiation of an action against the Republic of Korea at the World Trade Organisation (WTO); - the authorisation of temporary and limited contract-related operating aid under the Temporary Defensive Mechanism (TDM) to assist Community shipyards in those segments where they have suffered adverse effects caused by unfair Korean competition. From the outset, the TDM was conceived as an exceptional, limited and temporary measure. Hence, the mechanism was strictly limited in both scope and time. First, only those market segments where it has been demonstrated that the EU shipbuilding industry has suffered adverse effects caused by unfair Korean trade practices are eligible for aid: container ships; chemical and product tankers; as well as Liquefied Natural Gas (LNG) carriers. Second, the defensive mechanism expires on 31 March 2004, which was consistent with the anticipation, at the time of adoption of Regulation 1177/2002/EC, that the relevant WTO proceedings would have been concluded at that date. However, these proceedings are taking more time than what was originally foreseen and the Agreed Minutes have not yet been effectively implemented. The panel report is only expected in August 2004 and a final decision from the Appellate Body is not expected before early 2005. It should also be stressed that, from the outset, the two instruments making up the twin-track strategy were closely interrelated, in particular as regards timing. Pursuant to the TDM Regulation, the support mechanism could only be activated after the Commission had initiated WTO dispute settlement proceedings against Korea - which was done on 8 October 2002. By the same token, it was expressly provided that the mechanism was to be applied only until the conclusion of these proceedings or the suspension of such proceedings on the grounds that the Community considered that the Agreed Minutes had been effectively implemented (and, in any case, not after 31/03/04). In other words, the twin-track strategy is built on a simultaneous use of its two instruments. The Commission considers that the "twin-track strategy" should be continued. Given the delays in the WTO proceedings and the continued failure by the Republic of Korea to implement the Agreed Minutes, it is proposed to prolong the application of the TDM Regulation until 31 March 2005 at the latest. The TDM remains an exceptional and temporary instrument focusing on very specific trade allegations. It should be noted that, as it is already provided in the TDM Regulation, the support mechanism will be disactivated at any earlier date if the dispute settlement proceedings are concluded or if the Community considers that the Agreed Minutes have been effectively implemented by the Korean side.