EUROPEAN MARITIME TECHNOLOGY INDUSTRY AND TRADE IN SERVICES
AN AREA NOT TO BE MISSED —CONCEPT PAPER

Introduction

The European Maritime Technology industry consists of shipyards, ship design companies, marine equipment manufacturers and maritime service providers, such as maritime consultancy and engineering companies. It provides 900,000 high profile jobs and has a turnover around 91 billion Euro. This industry does not only export specialised vessels and a broad range of marine equipment, materials and components, but also exports various services.

This note aims at raising the awareness of both the industry itself and the EU trade policy-makers of the relevance of trade in services for the European maritime technology sector and highlight that trade in services should not be overlooked, neither for European shipyards, nor for European maritime equipment manufacturers. The note begins by indicating the relevant services' areas for the industry, quantifying their trade volume, and the note continues by identifying the areas where the industry could benefit the most from further liberalisation of trade in services.

1. **Mapping of the European Maritime Technology industry and its service activities**

The most important export services' activities for the industry are within the following areas:

- **Newbuilding shipyards**: Selling of vessels with an aftersales services package, provision of ship design services or selling of licenses to third country companies.
- *Ship repair yards*: Ship conversion, repair and maintenance services on vessels and offshore structures.
- **Marine equipment manufacturers**: Various services in relation to the supply of marine equipment, component and materials, including aftersales services, and export of licenses related to manufacturing of marine products in third countries.
- **Maritime industry services providers**: Supply of a broad category of services, such as repair and maintenance services on ships and offshore installations at sea or at third country ports or yards.
- **Ship design companies**: Services in relation to ship design and design of offshore structures, consultancy services and engineering services.
- **Maritime engineering and consultancy service providers**: Supply of complex maritime engineering consultancy services related to integrated control, management and navigation systems or propulsion systems.

In recent years, the European Maritime Technology industry has become more complex and technology intensive. This trend is expected to continue in light of new disruptive trends, such as Big

Data. An even more sophisticated and technology intensive industry will most likely involve an increase of the share of services out of the industry's total turnover.

2. Trade in services in international trade agreements

In international trade agreements, trade in services are defined according to the following four modes of supply:

Mode 1:   *Cross border trade in services*: A mode of service supply or trade where services are supplied from the territory of one member of a trade agreement into the territory of another. An example is a ship design service, supplied, by either a shipyard or an independent ship design company located in Europe to a shipyard in a third country.

Mode 2:   *Consumption abroad*: A mode of service supply or trade where services are supplied in the territory of one member of a trade agreement to the consumers of another. This mode of supply requires that the consumer of services moves abroad. An example could be a ship owner[1] from a third country which brings his vessel to a European shipyard in order to obtain repair and maintenance services.

Mode 3:   *Commercial presence*: A mode of service supply or trade where services are supplied through any type of business or professional establishment, i.e. foreign direct investment, of one member of the agreement in the territory of another. An example is the establishment of a branch of a European life-saving equipment manufacturer in a third country in order to provide services of its life-saving equipment in the ports or at yards in that third country.

Mode 4:   *Temporary movement of natural persons* (mode 4): A mode of service supply or trade where services are supplied by nationals of one member of a trade agreement in the territory of another, requiring the physical presence of the service provider in the host country. This mode includes both independent service providers as well as employees of the services providers of another member. Examples include consultants or engineers from a European maritime technology consultant company which is located in Europe but supplying services through its physical presence in proximity to a shipyard in a third country, or the managers of a multinational maritime industrial enterprise working in a third country.

Several broad service categories have been defined for the purpose of services trade negotiations at the WTO and used by many countries pursuing services negotiations in other fora, e.g. in EU FTAs. They include the following: business and professional services; communications; construction/ engineering services; transport services; distribution services; educational services; health services; financial services; environmental services; cultural and recreational services. However, there exists no well-defined services category for the maritime technology sector[2]. The most important services categories for the maritime technology industry seems to be business services such as, consultancy and advisory services, engineering and integrated engineering services and maritime and inland

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[1] If the ship owner does not follow along physically with the vessel to the shipyard the repair and maintenance work would most likely be considered as a mode 1 service delivery (cross border)

[2] There are several classification lists that may be used as basis for negotiating trade in services. The most common, however, is the one developed by the WTO in GATS w/120 which sets out 155 service sub-sectors in 12 broad sectoral categories. The categories in this list are based on an aggregated version of the United Nations Central Product Classification List (CPC). The list can be found at the WTO website under the references "Trade Topics – Services" **http://www.wto.org.**

waterway transport services (especially services related to maintenance and repair of sea going vessels as well as services related to repair and maintenance of inland waterway barges etc.)[3]

3. Further liberalisation of trade in services – industry priorities

The European Maritime Technology industry has primarily focused on ensuring fair trade conditions at third country markets and free market access for its export of ships as well as marine products and components. The industry has thus been arguing for the elimination of relevant industrial tariff barriers and various regulatory barriers to trade in goods when trade agreements are negotiated. Moreover, the industry has also been strongly focusing on trade distortions resulting from injurious pricing practices, illegal state support, discriminatory government procurement practices and local content requirements.

However, the export potential for the European Maritime Technology industry from trade in services, and particularly from a further liberalization of trade in services, has thus far attracted less attention. Nevertheless, the industry could also strongly benefit from such liberalization, within a WTO GATS context as well as in the context of the current TISA negotiations or other EU FTA negotiations[4] involving countries with important maritime sectors (such as Japan, the US and the Philippines).

Each segment of the European Maritime Technology sector would benefit from a further liberalization of trade in services:

- For the European repair yards, the priority would be that third country trade partners allow full access for their vessels to be serviced and repaired at European yards. To that end, *the EU should request their trade partners to take full commitments in mode 1 and mode 2 for maritime transport services "maintenance and repair of seagoing vessels[5]". As regards internal waterways, mode 1 and mode 2 commitments – without restrictions – should be scheduled within "maintenance and repair of internal waterway vessels and barges[6]".*

- Many European newbuilding yards provide aftersales services packages with their deliveries. In the current global shipbuilding competition environment, more newbuilding yards are becoming more service-oriented in order to bring more added value to their vessels. In addition, (although it is not the mainstream activity of a shipyard) some yards sell licenses or ship designs to shipyards in third countries. To facilitate the above-mentioned service activities, some yards either send engineers or naval architects to work within a fixed term with their customers or establish local presence in the relevant third countries. *The EU should request trade partners to take full commitments for these services for mode 1 mode 3 and mode 4 without restrictions.*

- European marine equipment manufacturers export services to third countries primarily in connection with their export and sales of marine equipment, component and materials, e.g. in terms of aftersales service packages. An example of this could be a life-saving equipment manufacturer which provides repair and maintenance services for life-saving equipment to company manufactures and sells around the world. Some of these companies also sell licenses related to manufacturing of a marine product in a third country. An example could be a ship

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[3] The CPC numbers listed do not explicitly refer to the maritime services activities except for CPS 8868 (repair and maintenance of vessels). But the numbers listed would most likely include such activities.
[4] The argumentation in this note follows the positive listing approach from the GATS and most of the services chapters within EU's FTA agreements.
[5] The sector classification number in CPC is 8868
[6] The sector classification number in CPC is 8868

engine manufacturer in Europe which sells licenses to produce a specific types of engine to local engine manufacturers around the world e.g. manufacturers located in China, Korea or the US. These services can be provided cross-border, via local establishment or by posting temporarily an employee from the European marine equipment company abroad. ***In order to ensure the European marine equipment manufacturers free access to third country markets for their services, commitments should be scheduled for these services for mode 1 mode 3 and mode 4 without restrictions.***

- Some European maritime service companies are solely engaged in sending out employees to repair and service of ships and offshore installations at sea or at third country ports or yards. These companies' service activities would primarily fall under "maintenance and repair of vessels". ***Mode 4 commitments by trade partners would be relevant as a supplement to a mode 1 commitment in order to ensure free access for temporary stay for these people in order to carry out their repair and maintenance services on all sea going vessels as well vessels such as barges etc. used at internal waterways.***

- European ship design companies do not only provide their services by exporting ship design drawings and other technical specifications cross-border. These companies often also provide their services either by sending highly skilled personal to third country shipyard to provide engineering and consultancy services or by establishing local presence. ***In order for these companies to obtain free access to third country shipbuilding markets, full commitments should be taken within mode 1, mode 3 and mode 4 for engineering services and integrated engineering services[7] as well as consultancy and advisory services in relation to manufacturing[8]. Full commitment should also be extended to maritime engineering consultancy companies which perhaps have a broader services portfolio also including technical testing and analysis services[9].***

- Similar as ship design companies, European maritime engineering and consultancy companies provide their services to shipyards and ship owners in third countries. These companies can be specialized in delivering consultancy and advisory services on how to ensure an optimum energy efficiency solution for a new built at a Chinese shipyard or how an already existing ship can best be retrofitted in order to meet the mandatory emissions requirements from the IMO. Such companies do not only supply their services cross-border but also by being present at third country markets via local offices or branches. Such companies do often also send their highly skilled engineers or naval architects to third countries to supply their services. ***To allow such companies unrestricted market access to third country markets, full commitments should be taken for mode 1, mode 3 and mode 4.***

ABOUT SEA EUROPE

SEA Europe is the voice of the European maritime technology industry and represents the interests of the national associations of the EU, Norway and Turkey. Companies that are member of SEA Europe's member associations are European shipyards or European maritime equipment manufacturers. European shipyards build, repair, convert or maintain all types of ships and maritime structures, in particular sophisticated, high-tech ships. European maritime equipment manufacturers produce sophisticated equipment and technologies to be used onboard ships. Together, this industry generates an annual turnover of 91 billion EUR and provides employment to more than 900,000 people.

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[7] The relevant subsectors in the classification systems would be engineering services and integrated engineering services, CPC 8672 and CPC 8673

[8] Consultancy and advisory services in relation to manufacturing, part of CPC 884 and part of CPC 885

[9] CPC 8676