

**SEA EUROPE POSITION ON THE EUROPEAN COMMISSION PROPOSAL FOR
A REGULATION ON FOREIGN SUBSIDIES DISTORTING THE INTERNAL MARKET**

7 July 2021

There is an urgent need for an effective sectoral solution to address foreign unfair practices in world shipbuilding¹ that adversely affect shipbuilding in Europe. Massive market distortions, particularly resulting from subsidies in Asia, have haunted global shipbuilding for decades. The EU has long acknowledged that no proper trade tools exist to address these distortions, but EU actions in the past four decades have failed to deliver any real solution, with devastating results for Europe.

The [Commission's Proposal for a Regulation regarding foreign subsidies](#) is promising but requires substantial clarifications and revisions before it can become an effective tool for addressing the foreign subsidies distorting the shipbuilding sector in Europe. Fundamentally:

- a. The scope of the Proposal and its interaction with the EU's international commitments needs clarification to ensure the instrument's full applicability to the shipbuilding sector, in particular to recognise and address the fact that other countries are frustrating recourse to WTO dispute settlement and that anti-subsidy import duties do not provide relief for this sector.
- b. The scope of subsidies and distortions covered needs clarification to take into account the particularities of the shipbuilding sector so that the tool can be applied effectively. Also, there need to be presumptions in order to lessen evidentiary burdens in the face of the failure of other WTO Members to meet their transparency obligations, or to provide full cooperation in subsidy proceedings, and/or the fact that they have economies significantly distorted by State intervention.
- c. The Proposal's provisions regarding interim measures, the balancing assessment, and redressive measures and commitments, need major strengthening in order to be capable of safeguarding a strong and strategic EU industrial base with sustainable and diversified supply chains, able to deliver on the EU's political priorities (e.g. European Green Deal, Blue Economy, EU Digital Agenda, etc.). Remedies under the instrument must fully reflect the damage caused and establish a real deterrent.

Once essential amendments are agreed and the new instrument enters into force, it needs to be applied to foreign shipbuilding subsidies without any delay. The shipbuilding sector needs an instrument that works in practice, as judged by its impact in the market.

¹ The term "shipbuilding" includes the building, repair, maintenance, conversion and retrofitting of vessels as well as the whole supply chain of maritime equipment manufacturers and other maritime sub-suppliers.

The recognition of the shipbuilding sector's urgent need for EU-level action to address unfair trading practices of producers in third countries should also lead to the rapid adoption of separate measures against unfair pricing, e.g. through a revision of the sector-specific Regulation 2016/1035 on protection against injurious pricing of vessels.

For decades, Europe's shipbuilding industry and hundreds of thousands of workers in maritime regions have paid a hefty price for the failure to address market distortions in global shipbuilding. While hopeful that the prompt adoption and use of the new instrument will lead to a much-needed level playing field, temporary measures to support the European shipbuilding sector are urgently necessary in the meantime to ensure that there is an industry left to benefit from the instrument.

About SEA Europe

SEA Europe, European Shipyards and Maritime Equipment Association, represents close to 100% of the shipbuilding industry in 16 nations, including EU Member States, Norway and Turkey. The industry, otherwise known also as "maritime technology industry", encompasses the building, maintenance, repair, retrofitting and conversion of all types of ships and floating structures – commercial as well as naval – including the full supply chain with the various producers of maritime systems, equipment material, technologies and services. For more information, see the SEA Europe website <https://www.seaeurope.eu/>

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