



Organisation for Economic Co-operation and Development

**C(2018)113**

**For Official Use**

**English - Or. English**

**4 September 2018**

**COUNCIL**

**Council**

**DRAFT RESOLUTION OF THE COUNCIL RENEWING AND REVISING THE  
MANDATE OF THE COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)**

**(Note by the Secretary-General)**

**JT03435276**

## Background

1. The mandate of the Council Working Party on Shipbuilding (WP6) was last renewed in 2013 and expires on 31 December 2018 [[C\(2013\)83](#) and [C/M\(2013\)17, item 172](#)].
2. The WP6 was created by the Council in 1966 [C(66)57] and subsequently established as a Part II Programme in 2006 [[C\(2006\)43](#) and [C\(2006\)43/CORR1; C/M\(2006\)7/PROV, item 89](#)], when multilateral negotiations on a shipbuilding agreement were paused; the proposed agreement having been the primary vehicle through which the WP6 was to meet its key objective “to work towards the identification and progressive reduction of the factors that distort normal competitive conditions in the shipbuilding industry”. The mandate then remained unchanged until 2008, when it was reviewed in accordance with the sunset clause-rule for OECD Committees agreed by Council [[C\(2004\)37/REV1](#) and [C\(2004\)37/REV1/CORR1; C/M\(2004\)5/PROV, Item 75](#)]. At that time, the text was modernised to align with OECD practice on mandates for subsidiary bodies, but the key objective remained largely untouched [[C/WP6/M\(2008\)1](#), Item 5]. When multilateral negotiations on a Shipbuilding Agreement were abandoned at the end of 2010, the WP6 had to explore new ways to fulfil its mandate and added some new activities to its work programme, but considered it unnecessary to propose any revision of its mandate at that time [[C/WP6/M\(2011\)1/REV1](#), Item 4].
3. The WP6 mandate was last renewed and revised by the Council in 2013 [[C\(2013\)83](#) and [C/M\(2013\)17, item 172](#)]. The main substantive changes were the acknowledgement of the termination of negotiations on the shipbuilding agreement, a clear mention that the WP6’s main objective of fostering normal competitive conditions in the market will take into consideration the evolving global environment, and a strengthening of the WP6’s focus on issues such as the environment, industry adjustment, globalisation and the business climate.

## WP6 mandate renewal

4. The WP6 began discussing the renewal of its mandate at its November 2017 meeting [[C/WP6\(2017\)12](#); [C/WP6/M\(2017\)2](#)]. A first draft mandate was discussed at the WP6’s 15-16 May 2018 meeting [[C/WP6\(2018\)12](#); [C/WP6/M\(2018\)1](#)], resulting in a revised draft being submitted for approval by written procedure [[C/WP6\(2018\)12/REV1](#)]. As new comments were received on that draft, a second revised draft [[C/WP6\(2018\)12/REV2](#)] was submitted for approval for transmission to Council for adoption by written procedure.
5. Throughout this process, there was unanimous support for the WP6 to continue beyond 2018. Delegations regarded the WP6 as a useful international forum to discuss and share information on the global shipbuilding industry, particularly given the necessity to establish normal competitive conditions in the global shipbuilding market. There was wide support for the current mandate’s focus on identifying and reducing factors distorting the shipbuilding market.
6. As a result of the Committee review, the draft mandate text proposed to Council contains a number of revisions, with the main substantive changes being as follows:

- Clearly mentioning that the WP6 should increase synergies and avoid duplication with other international organisations such as the World Trade Organization and the International Maritime Organization (IMO);
  - Mentioning “*challenges of climate change and environmental protection*” as part of the global environmental trends shaping the policy environment which the WP6 has to take into account, in coordination with the IMO and removing the mention of “*the long term challenges posed by climate change and environmental concerns*” in the section on the WP6 objectives ;
  - Mentioning that the WP6 should support the sound development of both global shipbuilding industry as well as the international trading system and its rules;
  - Mentioning excess capacity as one of the reasons explaining the need for adjustment and restructuring in some shipbuilding economies; and
  - Explicitly mentioning “*equipment manufacturers*” as a component of the wider maritime sector, which has increasing interdependence with shipbuilding.
7. The final draft mandate was approved by the WP6 for transmission to Council for adoption by written procedure on 27 July 2018 [[C/WP6\(2018\)12/REV2](#)], as set out in the Annex.

### Proposal for mandate renewal

8. It is proposed that the revised WP6 mandate, as set out in the draft Resolution in the Annex hereto, enter into force on 1 January 2019 and remain in force for a period of five years, i.e. until 31 December 2023, unless the Council decides otherwise. The draft Resolution would supersede all previous provisions concerning the mandate of the WP6. The WP6 would return to the Council to propose a revision to its mandate should there be any major developments that warrant such a change.

### Proposed Action

9. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

#### THE COUNCIL

- a) noted document [C\(2018\)113](#);
- b) adopted the draft Resolution of the Council Renewing and Revising the Mandate of the Council Working Party on Shipbuilding (WP6), as set out in the Annex to document [C\(2018\)113](#), which will enter into force on 1 January 2019.

## ANNEX

### **DRAFT RESOLUTION OF THE COUNCIL RENEWING AND REVISING THE MANDATE OF THE COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)**

THE COUNCIL,

HAVING REGARD to the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Rules of Procedure of the Organisation;

HAVING REGARD to the Financial Regulations of the Organisation;

HAVING REGARD to the Resolution of the Council on Partnerships in OECD Bodies [[C\(2012\)100/REV1/FINAL](#)];

HAVING REGARD to the Resolution of the Council establishing a Council Working Party on Shipbuilding (WP6) [C(66)57], as amended, with the last revision adopted on 24 September 2013 [[C\(2013\)83](#) and [C/M\(2013\)17, item 172](#)];

NOTING that negotiations on a multilateral agreement on shipbuilding were terminated in 2010, but that the WP6 currently represents the sole international platform bringing together OECD Members and Partners, as well as business/industry, trade unions and other stakeholders, to exchange views on economic and policy developments in shipbuilding and closely related sectors;

NOTING that the Participants to the Sector Understanding on Export Credits for Ships (which has been incorporated as an Annex to the Arrangement on Officially Supported Export Credits) retain responsibility through the WP6 for that Understanding, in co-operation with the Participants to the Arrangement on Officially Supported Export Credits;

CONSIDERING that the shipbuilding industry has a strongly global nature and that among the trends shaping policy development in this area are:

- Ongoing cyclicity in the industry giving rise to unfair practices (subsidies and other support measures provided by governments to their industries, and other market distorting practices) that may prevent the market from functioning normally;
- The success of emerging economies in increasing their share of the global shipbuilding market;
- The need for adjustment and restructuring in some economies following the global economic and financial crisis and in response to broader market developments and excess capacity;

- Increasing international linkages and the evolution of global value chains, as well as the increasing interdependence of shipbuilding and related industries in the wider maritime sector including equipment manufacturers; and
- Challenges of climate change and environmental protection.

HAVING REGARD to the proposed revision of the mandate of the Council Working Party on Shipbuilding (WP6) [[C\(2018\)113](#)];

DECIDES:

A. The Council Working Party on Shipbuilding (WP6) is renewed with the following revised mandate:

## **I Objectives**

1. The overall objective of the WP6 is to work towards and assist governments in the reduction of factors that distort normal competitive conditions in the shipbuilding industry and designing and implementing policies that foster normal competitive conditions. This is to contribute to a wider OECD strategic objective of promoting sustainable economic growth, financial stability and structural adjustment.

2. The intermediate objectives of the WP6 are to:

- Increase transparency and improve the understanding of the shipbuilding market, including supply and demand, economy-level policy settings, and international and inter-industry linkages;
- Contribute to a business climate that enables growth and innovation in the shipbuilding industry.

3. In order to achieve these objectives, while taking into account the evolving global environment for shipbuilding, including the potential for market distortions, the growing role of Partner economies, the need for industry adjustment in some economies, the increasing international and cross-industry linkages, the WP6 will:

- Keep the shipbuilding industry under review;
- Consider the economic, social, environmental and other relevant conditions that impact on the global shipbuilding industry;
- Develop policies that assist in the reduction of market distortions, and which account for globalisation and enable structural change; and
- Seek to foster the active participation of major Partner shipbuilding economies in the work of the WP6.

## **II Co-ordination arrangements**

4. In the course of its work, the WP6 will:

- Maintain close working relationships with other relevant bodies of the Organisation to complement and support WP6 work, in particular including those working on export credit issues;

- Co-operate with other relevant international organisations such as the International Maritime Organization (IMO) and the World Trade Organization (WTO), with a view to increasing synergies, avoiding duplication and supporting sound development of both global shipbuilding industry as well as international trading system and its rules;
- Engage actively and increasingly with Partners with significant shipbuilding sectors; and
- Consult with the shipbuilding industry, including national and regional shipbuilder associations, relevant actors in the wider maritime industry, and trade unions and public interest groups, where appropriate.

### **III Participation**

5. WP6 membership is open to all OECD Members. Partners with an interest in the shipbuilding industry may also join the WP6, in line with the Global Relations Strategy of the WP6.

### **IV Budget**

6. The expenditure of the WP6 shall be charged against the appropriations authorised for it under Part II of the Budget of the Organisation.

7. Contributions to the Budget of the WP6 to be paid annually by its members reflect the relative importance of shipbuilding to different members. Contributions are the sum of two components, as follows:

- A flat fee, which equates to 30% of the Budget to be shared equally among WP6 members.
- A member-specific fee, which equates to 70% of the Budget to be shared among WP6 members according to their share of WP6 shipbuilding output, measured by the average level of shipbuilding output for each member over the most recent three-year period for which data are available.

8. A cap of 25% is placed on contributions, so that no member contributes more than 25% of the overall Budget.

B. The mandate of the WP6 shall remain in force until 31 December 2023.