

**COUNCIL
WORKING PARTY ON SHIPBUILDING**

THE WP6'S GLOBAL RELATIONS STRATEGY AND PARTICIPATION PLAN

Delegates will find attached a revised Global Relations Strategy for the WP6 and an associated Participation Plan. These were prepared in accordance with the OECD Council's Resolution on Partnerships in OECD Bodies and were approved at the WP6 meeting held in Paris on 17-18 June 2013.

The Participation Plan includes a small revision (regarding fees for associates) as agreed at the WP6 meeting. In addition, the Global Relations Strategy notes the outcome of the May 2013 Ministerial meeting with regards to accession.

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Summary

The OECD Council has adopted a Resolution on Partnerships in OECD Bodies, aimed at facilitating the involvement of non-Member economies in OECD work. It requires all Committees to review their Global Relations Strategies and prepare a Participation Plan.

This revised paper summarises the Resolution's requirements as they pertain to the WP6 and sets out a revised WP6 Global Relations Strategy and associated Participation Plan.

Action

The Global Relations Strategy (Annex I) and associated Participation Plan (Annex II) were approved at the WP6 meeting on 17-18 June 2013 and no action by delegates is required. The Participation Plan will now be forwarded to the External Relations Committee and OECD Council for consideration.

Related documents

[C/WP6\(2011\)18](#)

Council Working Party on Shipbuilding (WP6) Global Relations Strategy – 2011 Revision

[C\(2012\)100/FINAL](#)

Resolution of the Council on Partnerships in OECD Bodies

THE WP6'S GLOBAL RELATIONS STRATEGY AND PARTICIPATION PLAN

1. In October 2012, the OECD Council adopted its Resolution on Partnerships in OECD Bodies [[C\(2012\)100/FINAL](#)] that aims at promoting and facilitating the involvement of non-Members in the work of the OECD. The Resolution requires all substantive Committees wishing to involve one or more Partners in their work to develop a Participation Plan based on their Global Relations Strategy. Committees have also been invited to review their Global Relations Strategies in light of the Resolution.

2. This paper summarises the Resolution and its requirements as they pertain to the Council Working Party on Shipbuilding (WP6), sets out principles for OECD Partnerships, and revisits the 2011 WP6 Global Relations Strategy with a view to identifying revisions. It then sets out a revised Global Relations Strategy and a Participation Plan designed to implement the Strategy (Annex I and II, respectively).

3. The WP6 approved this Global Relations Strategy and Participation Plan at its meeting in June 2013. The Participation Plan will now be submitted to the External Relations Committee and OECD Council.¹

The Resolution on Partnerships in OECD Bodies

4. The OECD Council's Resolution on Partnerships in OECD Bodies [[C\(2012\)100/FINAL](#)] (hereafter, "the Resolution") reflects a resolve to make the OECD "a more effective and inclusive global policy network, including by promoting and diffusing its values, and by increasing the relevance and global acceptance of its policy standards and best practices through the participation of non-Members". The Resolution sets out a framework, principles and procedures aimed at increasing non-Member engagement.

5. The Resolution's main features include:

- A new nomenclature to refer to different levels of participation: Non-Members participating in the work of an OECD body are referred to as *Partners*; Enhanced Engagement countries (Brazil, China, India, Indonesia and South Africa) as *Key Partners*; former Ad-hoc Observers as *Invitees*; former Regular Observers as *Participants*; and former Full Participants as *Associates*.
- Streamlined invitation processes: Simplified Participation Plans, based on Global Relations Strategies, replace the extensive questionnaires, templates and procedures to be completed for every new invitation or renewal thereof. Some features are:
 - Invitations to Key Partners as Invitees or Participants (but not as Associates) no longer require Council approval;

¹ Committees were asked to approve and submit their Participation Plans by 1 May 2013 so that they could be taken into account at the May Ministerial meeting. However, some flexibility was allowed for those Committees (such as the WP6) that are not meeting prior to May.

- Associates are invited to attend all meetings of a body for an open-ended period;
 - Participants are invited to attend all meetings of a body for an open-ended period, subject to a biennial review by the body; and
 - It is no longer necessary to seek approval for Invitees to attend each individual meeting, as long as they are included in the Participation Plan.
- Committee-specific conditions for Associates: Committees are to propose for Council approval the conditions that Associates should meet. These conditions may allow for countries to be Associates even if they do not fulfil all the requirements of an Accession country.
 - New rules on fees for Associates: Part I programmes now have a choice of two fee levels for Associates. For Part II programmes, Associates shall continue to be charged an annual percentage share, calculated on the basis used for Members' assessments, of the estimated costs of the body concerned, including a 10% overhead charge, or a fee of 1.5 times the relevant Participant fee, whichever is higher, unless otherwise decided by Council.
 - Unchanged fees for Participants: Participants fees remain at their current level of EUR 10 700 per annum. For Part II programmes, these fees continue to be treated as analogous to voluntary contributions.

What are the implications for the WP6?

6. The Resolution requires the WP6 to ensure its Global Relations Strategy is in line with its mandate and has regard to: which Partnerships would serve a mutual interest to Members and Partners; the level of participation of Partners and the terms and conditions of that participation; the appropriate ways to encourage a higher level of Partnership; and any possible alternatives to invitations as a Partner. The Strategy is forward-looking and will be reviewed biennially in conjunction with preparation of the biennial programme of work.

7. The Resolution also requires the WP6 to develop a Participation Plan that sets out the conditions to be met by Associates, the fee to be levied and a list of countries to which this level of participation is proposed. The Plan must also include a list of countries to which Participant status is proposed, or who may be invited as Invitees, and information on the level of participation proposed for Key Partner countries. The Plan is not forward-looking; its purpose is to specify the current invitation status of Partners. To ensure that Participation Plans meet the requirements set out by Council and to facilitate their comparability, the format has been standardised by use of a template. The WP6's Participation Plan (Annex II) thus follows this format.

8. Once its Plan is approved by Council, the WP6 is authorised to invite its proposed Partners on the terms and conditions specified in the Plan. The Plan does not expire, but is reviewed biennially alongside the Global Relations Strategy. It can be amended any time by the WP6 (with approval by the Council).

Principles for Partnership invitations

9. For the WP6 to prepare a Participation Plan (and review its Global Relations Strategy), a set of criteria or principles for choosing non-Members for Associate, Participant or Invitee engagement is required. Substantive guidance on this is provided by the Council Resolution, at both a general and specific level. The WP6's 2011 Global Relations Strategy also provides some guidance as to relevant considerations.

Mutual interest

10. The Resolution asks that Bodies consider which Partnerships would serve a mutual interest, in light of:

- The effects of Partners' economic development on that of Members;
- The Partners' institutional and policy know-how; and
- The appropriate number of Partners participating in the body concerned and the impact of such participation on the efficient functioning of the body.

Contribution to mandate and programme of work

11. There are also participation level-specific requirements set out in the Resolution, related to Bodies' work:

- Invitees are expected to contribute to the fulfilment of a body's mandate and programme of work by attending the meetings, or specific items, to which they are invited and by contributing to the discussion.
- Participants are required to be able and willing to contribute substantially to the fulfilment of a body's mandate and programme of work through their active participation in its meetings and its work, including by providing the information which the body may require. Participants must also meet any requirements set out in the OECD Resolution (*e.g.* on fees) and in their invitation.
- Invitations to countries to participate as Associates are based on an assessment of a candidate's policies and its commitment to a body's goals, practices and standards. Associates are also expected to provide any statistical information that may be required for a body's databases. Associate status would be accorded only to Partners that are willing and able to comply with the relevant OECD legal instruments² and which the body assesses will bring greater benefits as an Associate than as a Participant.

² The WP6 in fact has six legal instruments ascribed to it, although the Secretariat proposes that none of these would be formally considered in decisions on participation.

Three instruments were developed by the OECD's Maritime Transport Committee (MTC) and were "transferred" to the WP6 when the MTC ceased operations. These instruments lie outside the scope of the WP6's current work and would not be considered in decisions on Associate status.

The other three instruments were developed under the WP6. The first is the *Agreement respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry*. This defunct Agreement, which resulted from the early Shipbuilding Agreement negotiations, remains "on the books" but is no longer relevant and would not be considered in decisions on Associate status. The second and third instruments are the *Revised General Guidelines for Governmental Policies in the Shipbuilding Industry* [C(83)27] and the *Revised General Arrangement for the Progressive Removal of Obstacles to Normal Competitive Conditions in the Shipbuilding Industry* [C(82)194/FINAL]. These instruments have lain dormant for some time and are scheduled to be reviewed and revised once the WP6 mandate renewal is completed [C/WP6/M(2012)2, Item 10]. It is noted that the instruments were not formally considered in the WP6's evaluation of Russia regarding its accession to the OECD, although they did provide some guidance as to the general principles that could be used to measure the coherence of Russia's shipbuilding policies *vis-à-vis* the WP6 [C/WP6/ACS(2011)1]. It is suggested that, until the instruments are revised by the WP6, the same approach could be taken in assessing Partners for Associate status, *i.e.* these two instruments

12. Participation at the level of Invitee thus involves a lower level of commitment on the part of the WP6 and the non-Member. Participant status involves a deeper commitment for the WP6 and the non-Member, and in the WP6's case the invitation could provide for participation in the WP6's subgroup, the Informal Expert Group (IEG) on the Sector Understanding on Export Credits for Ships. The invitation process and subsequent level of engagement of an Associate clearly involves a high level of commitment for both the WP6 and the non-Member.

Industry factors

13. In deciding on candidates and their level of participation in the WP6, the WP6 could also consider the size of the shipbuilding industry in the candidate country and whether it is a major market player, as it did in preparing the current Global Relations Strategy [[C/WP6\(2011\)18](#)].

Other forms of participation

14. The Resolution focuses on engagement with non-Member economies as Invitees, Participants or Associates in OECD activities. However, there may be other forms of participation that provide links between non-Members and OECD Bodies. The subject matter will determine which partners, organisations and individuals and what type of engagement are most relevant. Consideration should be given to including, as appropriate, sub-national government officials, international organisation officials, business representatives, academics and/or representatives of civil society.

The WP6's Global Relations Strategy

15. Under the Resolution, a body's Global Relations Strategy is the underpinning of its Participation Plan. It must therefore provide an appropriate vision and trajectory for the body's co-operation with non-Members.

16. The WP6 revised its Global Relations Strategy in late 2011 [[C/WP6\(2011\)18](#)]. That strategy stated that the involvement of non-Member economies was paramount if WP6 efforts to address the economic and policy aspects of shipbuilding and to strengthen transparency were to succeed, given the growing proportion of these economies in world shipbuilding output.

17. The Strategy noted that Croatia and Romania had accepted invitations to be Full Participants (now Associates) and were participating in that capacity; similarly, Russia had accepted a Regular Observer invitation (now Participant) and had attended on that basis. The Strategy then set out its aspirations as follows:

- Target Full Participants (now Associates): China.³
- Target Regular Observers (now Participants): Brazil, plus possibly India, the Philippines and Vietnam.
- Target Ad Hoc Observers (now Invitees): Argentina, Indonesia, Malaysia, Chinese Taipei (already participating in that capacity) and Ukraine.

could provide guidance as to the general principles to be used to measure the coherence of a Partner's policies, but formal adherence would not be required.

³ A proposal to invite China was submitted to, and accepted by, Council in 2010 [see [C\(2009\)135](#) and [C/M\(2010\)1/PROV](#)]. However, the invitation was not formally transmitted to Beijing. For further information, see Annex 1 of the current document.

18. The WP6's Strategy proposed to keep India, the Philippines and Vietnam under review, given their strong commitment to the growth of their industries and their increasing participation in global shipbuilding. The Strategy also mentioned Bulgaria, Latvia, Lithuania and Singapore as economies that could be invited to less formal activities of the WP6, *e.g.* workshops, seminars and other similar events. Finally, Bangladesh was mentioned as a potential candidate for future closer relations, based on its strengthening orderbook and status as one of the world's largest ship recyclers.

19. The Strategy's proposals were based on four criteria: 1) the size of the candidate's shipbuilding industry; 2) the candidate's identification of shipbuilding as an economic activity to receive particular support for growth, along with evidence of their increasing influence in the industry; 3) the frequency and level of the candidate's participation in WP6 work; and 4) the candidate's participation in the OECD negotiations on a new Shipbuilding Agreement (as an indication of commitment to multilateral discussions).

Does the existing strategy need revising?

20. The WP6 places great weight on efforts to engage non-Members in its work. Non-Member economies are continuing to increase their share of the global shipbuilding market, and their presence at the WP6 would add significant value to the work of the group.

21. As such, the objectives set out in the 2011 WP6 Global Relations Strategy remain valid – WP6 participants still wish to gain a broader perspective of the industry, enable non-Members to participate in shaping policy, and ensure any common policies and rules have the greatest possible acceptance and application (although the objective of building on the momentum of the Shipbuilding Agreement negotiations is becoming less relevant as these negotiations become more distant).

22. However, the WP6 has slightly revised the list of Partners and their proposed current and eventual invitation status, based on recent market data and participation records. Annex I contains the revised Global Relations Strategy for the WP6, with key revisions as follows:

- First, the Strategy proposes inviting India, the Philippines and Vietnam as Invitees, with a goal to eventually engage them as Participants. Given their importance in today's shipbuilding market, it is likely that their impact on Member countries and their institutional and policy know-how are growing. Their active participation in WP6 meetings and work would help the WP6 achieve its broad goal of fostering normal competitive conditions in the shipbuilding market.
- Second, the Strategy proposes adding Singapore to the list of economies that could be invited to individual meetings or items from time to time as Invitees. This reflects both the size of its shipbuilding industry and its role as a hub for many maritime activities that impact on the shipbuilding market. At the same time, the Strategy proposes to stop inviting Argentina on an ad hoc basis, given its minor level of shipbuilding activity and absence of engagement with the WP6 in recent years. It has been added to the lower-key "Other economies" group that may be invited to less formal activities.
- Third, the Strategy proposes adding Peru to the group of "Other economies". Peru has a minimal level of shipbuilding activity; however, it is seeking Accession to the OECD and the size of its industry is not dissimilar to that of Bulgaria, Latvia and Lithuania, which already figure on this list in the current WP6 Strategy.

23. The Secretariat notes that in almost all cases, substantial work to build linkages would be necessary before formal invitations to join as Associates or Participants could be issued, and much work is

also required to achieve Invitee attendance from the WP6's desired partners. Aside from Croatia, Romania and Russia, of all the economies listed in the current Strategy or in the proposed revisions above, only Chinese Taipei has regularly attended WP6 meetings and participated in its work in recent years. China, a key target Partner, has not actively participated since the termination of the Shipbuilding Agreement negotiations at the end of 2010. The WP6's key contact Ministry in China lost its mandate to engage with the WP6 on anything but narrow shipbuilding issues, and there also appears to be generally less enthusiasm for attending WP6 events.

24. Given that the Global Relations Strategy is forward-looking and therefore somewhat "aspirational", it is appropriate to set out the WP6's longer-term goals. But in the immediate term, all the economies listed (except Croatia, Romania and Russia) will be targeted as Invitees in the WP6 Participation Plan, so as to establish links that can be later built on for closer co-operation.

The WP6 Participation Plan

25. Annex II presents a list of Partners and the capacity in which the WP6 would like to invite them, for official meetings of the WP6, in accordance with the WP6's proposed revised Global Relations Strategy. As noted above, the initial target for all economies (except Croatia, Romania and Russia) is participation as Invitee, with longer-term aspirations for Associates and Participants noted in the Global Relations Strategy. The group of "Other economies" that would be targeted for participation in more informal events is contained solely in the Global Relations Strategy and is not specified in the Participation Plan.

26. The Plan specifies that Associates' fees would be based simply on an annual percentage share of the estimated costs of the WP6, calculated on the same basis used for Members' assessed contributions, as is currently the case for the WP6's Associate members.

Action required

27. The Global Relations Strategy (Annex I) and associated Participation Plan (Annex II) were approved at the WP6 meeting on 17-18 June 2013 and no action by delegates is required. The Participation Plan will now be forwarded to the External Relations Committee and OECD Council for consideration.

ANNEX I: REVISED GLOBAL RELATIONS STRATEGY FOR THE COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)

1. Background

28. In November 2011, the WP6 approved a revised Global Relations Strategy [[C/WP6\(2011\)18](#)], which took into account recent developments in the industry, particularly with respect to the changing structure of the global shipbuilding sector and the growing participation in the market by some emerging economies.

29. However, a recent Resolution by the OECD Council on Partnerships in OECD Bodies [[C\(2012\)100/FINAL](#)], which is aimed at promoting and facilitating the involvement of non-Member economies in the work of the OECD, asks all Committees to review their Global Relations Strategies and prepare an accompanying Participation Plan in compliance with the Resolution's rules.

30. The following sections outline a revised Global Relations Strategy for the WP6. The proposed approach builds on the previous Strategy, takes account of the WP6's mandate renewal and programme of work, and reflects the OECD's guidelines for engagement with Partner economies. Its proposals for Partnership are reflected in the WP6's Participation Plan.

2. Rationale for the WP6's global relations

31. Shipbuilding is a highly globalised industry that exists within an equally highly globalised chain of maritime activities. The production of a vessel can involve production processes and value creation across several economies; ship buyers can source their vessels from almost any shipbuilding yard in the world; ships can be classed by a variety of internationally-active classification societies; the common usage of open ship registers means that owner nationality and ship nationality are not necessarily the same; and there is a layer of international regulation that must be observed regardless of a vessel's origin.

32. Non-OECD economies now account for a substantial share of the global shipbuilding market. In 2011, 39% of all vessel completions were from China, with the Philippines, Vietnam and Chinese Taipei also featuring in the top 10 producers. The rise of non-OECD economies is evident in recent orderbooks data. As at December 2012, China's share of the world orderbook was the largest, at almost 36%, in front of the two other major producers, South Korea and Japan. In the group of shipbuilding economies with lower but still important shares, Brazil, Vietnam, India and the Philippines featured strongly. Only four WP6 Members featured in the top 10 as measured by orderbooks.⁴

⁴ Data on completions by CGT is from IHS World Fleet Statistics, 2011. The top ten ranking is as follows: China (39%), South Korea (31%), Japan (18%), the Philippines (1.2%), Vietnam (1.1%), Turkey (0.9%), Italy (0.9%), Romania (0.8%), Germany (0.8%), and Chinese Taipei (0.8%).

Data on orderbooks by CGT is from IHS World Shipbuilding Statistics, December 2012. The top ten ranking is as follows: China (35.9%), South Korea (30.7%), Japan (14.1%), Brazil (2.9%), Vietnam (1.4%), Germany (1.4%), India (1.3%), the Philippines (1.3%), Italy (1.1%), and the United States (1.1%).

33. The shipbuilding industry is susceptible to government intervention, as many governments consider shipbuilding to be “strategic” for regional, economic, employment and defence reasons. This contributes to the sector not always operating under normal competitive conditions, and can contribute to frictions, particularly when the broader economic environment is challenging.

34. Against this backdrop, the WP6 remains the sole international platform that can bring OECD and non-OECD economies, as well as other relevant industry stakeholders, together to discuss the economic and policy aspects of shipbuilding and to develop appropriate policy responses. The WP6 has always aimed to provide transparency within the industry, so that even if the market does not operate freely, governments and industry have access to information to make reasoned policy and business decisions. The involvement of non-OECD economies is paramount if these efforts are to be relevant and effective.

35. The importance of engaging with non-OECD economies is reflected in the WP6’s mandate and programme of work.⁵ The mandate acknowledges that the rise of emerging economies in the shipbuilding market and increasing international linkages are important trends shaping policy development. It points the WP6 towards work of relevance to both OECD and non-OECD economies, such as industry adjustment and restructuring, globalisation, and environmental issues. The WP6’s 2013-14 programme of work covers some important policy issues with international dimensions, for instance with work on “green ships” and peer reviews of government support measures in WP6 economies.

36. In pursuing its Global Relations Strategy, the WP6 has four broad objectives:

- To provide the WP6 with a broader perspective of the shipbuilding sector and to expose Members to the needs, problems, aspirations and capabilities of the shipbuilding industries in non-Member economies;
- To enable Partners to participate effectively in the shaping of policies that promote efficiency in the shipbuilding sector; for example, through transparency, peer analysis and review, and the achievement of normal competitive conditions in the industry;
- To acknowledge the extensive participation of non-OECD economies in the shipbuilding industry and ensure that any common policies and rules have the greatest possible acceptance and application; and
- To maintain the rapport established during negotiations on a new Shipbuilding Agreement and continue to engage with those non-Member economies that played a role in those discussions.

3. Criteria for Partnership

37. A number of principles underpin the WP6’s judgements on the desired participation of individual non-Member economies in its work. These are derived from the criteria set out by the OECD Council as well as WP6-specific considerations, and are as follows:

- The degree of mutual interest, considering the effects of the Partner’s economic development on that of Members, the Partner’s institutional and policy know-how, and the appropriate overall number of Partners participating in the WP6 and their impact on the WP6’s efficient functioning;

⁵ The WP6’s revised mandate for 2013-2018 is described in [C/WP6\(2013\)9/REV1](#).

- The size of the Partner's shipbuilding industry, as an indication of the standing, influence and impact of the non-Member economy, which in turn indicates a commensurate ability to facilitate the achievement of the WP6 mandate;
- The degree to which the Partner has identified shipbuilding as an economic activity that should receive particular support for growth, and has demonstrated through recent growth of their sector that they will become increasingly influential in shipbuilding.
- The frequency and level of participation of the Partner in the work of the WP6, for instance in workshops and data collection; and
- The degree to which the Partner can contribute to WP6 discussions and commit to its goals, practices and standards. In particular:
 - Invitees are expected to contribute to the fulfilment of the WP6's mandate and programme of work by attending the meetings to which they are invited and by contributing to the discussion.
 - Participants are required to be able and willing to contribute substantially to the fulfilment of the WP6's mandate and programme of work through their active participation in meetings and work, including by providing the information which the WP6 may require.
 - Associates must be willing and able to comply with the relevant WP6 legal instruments and commit to its goals, practices and standards. Associates are also expected to provide any statistical information that may be required. Associate status is only accorded when the WP6 assesses that the Partner will bring greater benefits as an Associate than as a Participant.

38. It is important to maintain the spirit of dialogue, peer review and sharing of best practice that underpins the OECD's work more broadly. As such, the WP6's efforts should be focused on countries and delegations that have a shared interest in the substance of the work carried out by the WP6, that are willing to contribute to such work, and that are keen to engage in an active dialogue on policies and approaches.

4. The WP6's existing Partners

39. The WP6 currently benefits from the participation of Croatia and Romania as **Associates** and Russia as a **Participant**. There is no intention of reviewing their status in this Global Relations Strategy update.

5. Plans for engagement with Key Partners⁶

Brazil

40. Brazil's shipbuilding industry has fluctuated significantly over time but is now in a position of relative strength, holding fourth position behind Japan in global orderbooks at the end of 2012. In the past, Brazil was a significant producer of large vessels but its industry declined as it failed to keep up with structural developments in other parts of the world. However, in more recent times, the Brazilian government has encouraged the revitalisation of the industry and it has made a significant comeback.

⁶ South Africa has negligible shipbuilding activity and has therefore not been included in the Strategy at this time.

41. Brazil's shipbuilding industry has expanded in conjunction with its energy industry, and the sector now attracts significant foreign investment. In 2006, Brazil's Ministry of Science and Technology, the Studies and Project Finance Agency (FINEP, linked to the Ministry), Petrobras (Brazil's state-owned oil company) and nine of the country's research institutes, signed an agreement as the first step in the Technological Improvement Program, intended to boost the Brazilian shipbuilding industry. The objective was to create technological conditions for the Brazilian shipbuilding industry to regain a prominent position in the global market. The Brazilian government also introduced a policy of domestic preference, requiring oil producers to use locally-made equipment, spurring major Brazilian energy companies to place orders for vessels. This programme is continuing, and foreign investors are being drawn in to provide valuable technological know-how in shipyards across the country.

42. Brazil thus seems to be emerging as a major player in the global shipbuilding industry, with significant potential to affect the market, particularly given the strong government involvement in the industry. It also participated actively in the Shipbuilding Agreement negotiations and has attended meetings on an ad hoc basis.

43. However, Brazil's recent WP6 participation has been at the industry level, and the WP6's contacts in the Brazilian embassy have advised that government-level representation is unlikely at this point in time. Brazilian officials last participated in a WP6 meeting in April 2010.

44. Nevertheless, given Brazil's status in the market and the degree of its government's interest in the sector, it is proposed to continue to invite Brazil as an **Invitee** and to attempt to interest Brazil in the work of the WP6. The longer-term goal would be to invite Brazil to co-operate with the WP6 as a **Participant**.

China

45. China was an active, regular and valuable participant in WP6 activities for many years, including at the Shipbuilding Agreement negotiations, and was identified for possible invitation as a Full Participant (now Associate) in the 2009 Global Relations Strategy. A proposal to invite China was submitted to, and accepted by, Council in 2010 [see [C\(2009\)135](#) and [C/M\(2010\)1/PROV](#)].

46. However, the invitation was never formally transmitted to Beijing due to a change in attitude from Chinese authorities. Specifically, the WP6's contacts in the Ministry of Industry and Information Technology (MIIT) advised of concerns on their part of the possible effects of elevating China's participation in the WP6 from a working level to a more political level (as the decision to be a full participant/Associate would be taken elsewhere). The invitation was put on hold, while waiting for MIIT to ascertain their domestic position. (Delegates should note that China has been generally reluctant to accept invitations to participate more formally in OECD bodies, preferring to engage in more informal ways.)

47. Concurrently, since the termination of the Shipbuilding Agreement negotiations in 2010, the WP6 has been experiencing greater difficulties in engaging China in its activities. Chinese officials' last participation in a WP6 meeting was November 2010. The WP6's contacts at MIIT advised that the termination of negotiations brought to an end the MIIT's mandate to represent China in OECD shipbuilding matters, so that it now has to co-ordinate more intensively with other agencies. This appears to have made China's co-operation with the WP6 more complex, especially when issues go beyond purely shipbuilding related matters (for example, export credits for ships).

48. Despite this, engaging with China remains a priority for the WP6, given its position in the shipbuilding market. China is the world's largest producer of ships in volume terms, accounting for 39% of vessel completions in 2011 and over 35% of global orderbooks at the end of 2012. This dominance is likely to continue, particularly in light of the Chinese government's aspirations for the sector, as set out in

the Shipbuilding Industry Twelfth Five-year Plan. This plan apparently sets targets for extremely strong revenue growth and rising Chinese shares in new sub-sectors such as offshore. It is worth recalling that since 2000, China's stated objective was to become the world's largest producer by 2020, a target that was reached a decade earlier than anticipated.

49. A further reason for targeting China is with respect to its possible participation in the Sector Understanding on Export Credits for Ships (SSU). China's activity in the export credit arena is increasing, and Participants to the Understanding have placed a high priority on engaging China in any future work on the SSU. The WP6's previous Global Relations Strategy noted there had been discussions with MIIT, China Export-Import Bank and Sino-sure (the national insurance corporation) regarding possible participation (initially as observers) in the informal expert group (the IEG) on export credits for ships. The WP6 is currently deciding on its desired approach to future work on the SSU, and once this is known, renewed efforts may be made to attract China's participation in the WP6's export credit-related activity.

50. China also participated fully in both the Shipbuilding Agreement negotiations and subsequent efforts to restart those negotiations following their pause in 2005, and was a regular participant at meetings and workshops.

51. On the basis of all these factors, it is proposed to continue to invite China as an **Invitee** to the WP6's activities, and to engage it as fully as possible in the general work of the WP6 until such time as **Associate** status can be achieved.

52. However, it is acknowledged that one important barrier to China's participation as an Associate will be the issue of funding. Due to the large share of China's shipbuilding industry in global vessel completions, its contribution to the WP6 budget as calculated by the WP6's budget formula would be on a par with that of Japan and Korea (who each currently pay 25% of the WP6 budget). This would be a considerable demand to make of a non-Member economy and may make Associate status unpalatable to China.

India

53. India is one of a number of emerging economies with a growing shipbuilding sector and is increasingly influential in world trade and economic development. For many years it played a relatively minor role in world shipbuilding, and most of its output was for domestic use, due to low skill and technology levels and high costs. More recently the industry has been looking to export markets and significant investments have been made to boost production capabilities. By orderbooks, India sat in seventh place at the end of 2012, just behind Germany.

54. India's government is under pressure to provide assistance to the shipbuilding industry. Between 2002 and 2007, India's government supported the shipbuilding industry with a subsidy scheme. There have been repeated calls to re-establish support for the industry, through subsidies, changes to customs duties, and other measures. Nevertheless, despite these calls for protection, the industry appears to be gaining competitiveness.

55. India is starting to have a greater presence in world shipbuilding and, with its history of strong government support for the industry, it is an economy that the WP6 should make greater efforts to engage with. The Secretariat has sought India's participation in WP6 events, and officials from the Indian Embassy in Paris attended the June 2012 special session and WP6 meeting.

56. Given its status as an OECD Key Partner and its presence in the shipbuilding market, it is proposed to continue to seek India's participation as an **Invitee**, with a view to inviting it as a **Participant** at an appropriate future date.

Indonesia

57. Indonesia is a relatively small player in the global shipbuilding market, with its orderbooks placing it at number 17 in the world at the end of 2012. However, its production has risen over time, and in 2011 its vessel completions were larger than a number of WP6 shipbuilding economies, such as Australia, Finland and Norway. Indonesia participated in a WP6 workshop in 2006.

58. Given the growth potential of Indonesia's shipbuilding industry, it is proposed to seek its participation as an **Invitee**.

6. Plans for engagement with other non-Member economies⁷

59. As well as the OECD's Key Partners discussed above, there are several other non-Member economies that could be valuable participants in the WP6 at the Participant or Invitee level.

Chinese Taipei

60. Chinese Taipei participated in all of the WP6's Special Negotiating Group (SNG) negotiations, as well as in the ad hoc industry and expert groups that met to advise the SNG negotiators. Its delegation was active and constructive and strongly supported initiatives to expose the industry to normal competitive conditions. Chinese Taipei has also been a regular participant in workshops and meetings, and contributes to the WP6 Inventory of Subsidies and Other Government Support Measures.

61. However, from an industry perspective, Chinese Taipei is a smaller producer, and it was ranked number 11 in the world by orderbooks at the end of 2012. Its status in the global shipbuilding market has declined over time.

62. As such, there are conflicting aspects to Chinese Taipei's standing from the perspective of the WP6. Its consistent participation over time is welcomed, but its declining role in the market reduces the level of mutual benefit that might be gained from its co-operation. On this basis, it is proposed to continue to invite Chinese Taipei as an **Invitee**, depending on the subjects discussed.

Malaysia

63. The shipbuilding industry in Malaysia is relatively small, but growing. It accounted for 0.7% of total global vessel completions in 2011, ahead of WP6 countries such as the Netherlands, Poland and Spain, and its share of global orderbooks at the end of 2012 put it in 14th place, just behind Romania.

64. The industry is attracting increased government attention, with the Malaysian government launching in 2011 a strategic plan for development of the shipbuilding and ship-repair industry to 2020. The industry aspires to account for 2% of the global market, particularly focusing on small- to medium-sized vessels, and is looking to improve supply chains and skills.

65. Given these factors, it is proposed to invite Malaysia to participate in relevant WP6 activities as an **Invitee**.

⁷

It is noted that a decision was taken at the OECD's 2013 Ministerial Council Meeting to open membership talks with Colombia and Latvia in 2013. Ministers also signalled their intention to open accession talks with Costa Rica and Lithuania in 2015 and to work closely with these countries in the intervening period.

Philippines

66. The Philippines first engaged with the WP6, on its own initiative, towards the end of the negotiations on a new Shipbuilding Agreement. No formal reason was given for its interest in the negotiations, but it is likely that this was encouraged by its rapidly growing production. At the time, the Philippines was not widely regarded as a major player in the industry (with facilities largely devoted to ship repair), but its production was growing, especially as a result of significant investment in green-field facilities by Korean and Japanese shipbuilders.

67. The Philippines is now firmly in the top 10 shipbuilders in the world. In 2011, it accounted for 1.2% of global vessel completions – placing it in fourth place behind China, South Korea and Japan. At the end of 2012, it held 1.3% of global orderbooks, putting it in eighth spot. Its growing status is underlined by strong government support for the industry, with the Department of Trade and Industry classing it as one of its preferred industries under the Investment Priorities Plan, and foreign investment being welcomed. It is also worth noting that the Philippines has a long history as a major seafaring nation and now provides a significant proportion of the seafarers employed in the world's shipping fleets.

68. The Philippines expressed interest in the WP6's November 2012 workshop on the Future of Shipbuilding, but unfortunately were not able to attend. They have asked to be kept informed of WP6 activities, and appear open to engagement.

69. Together, these factors suggest that partnership with the Philippines could provide strong mutual benefits, and it is proposed to invite the Philippines to participate in WP6 activities as an **Invitee**, with a goal of eventual **Participant** status.

Singapore

70. Singapore has a moderately active shipbuilding industry, and a strong presence as a maritime hub in Asia. In 2011, it accounted for 0.4% of global completions, ahead of a number of WP6 economies, and its share of global orderbooks as at December 2012 put it in 15th place. Its current orderbooks have a focus on the offshore sector – a growing niche in the industry and one that represents high value for shipbuilders. Singapore's port and shipping activity also makes it an important player in the wider maritime cluster.

71. In the WP6's previous Global Relations Strategy, Singapore was identified for participation in less formal activities of the WP6. However, given the potential mutual benefits from its participation, particularly as the WP6 focuses more on the international aspects of shipbuilding, it is proposed that Singapore be invited to participate as an **Invitee**.

Ukraine

72. Ukraine has been a moderately regular and active participant in WP6 activities. It was also a participant in the SNG negotiations and attended most sessions. The Ukraine delegation was generally supportive of proposals to liberalise the industry and played a constructive role during the negotiations.

73. From a production perspective, the Ukrainian shipbuilding industry has experienced considerable difficulties since the breakup of the former Soviet Union. The industry was geared to the production of naval vessels and has struggled to convert facilities to commercial production. As such, Ukraine's share of vessel completions in 2011 was just 0.2% (22nd in the world), and its share of the global orderbooks in December 2012 were also 0.2% (putting it in 28th place).

74. Ukraine formally requested in November 2002 to be invited as a Regular Observer (Participant) to the WP6. While at the time there was support within the WP6 for that request, the issue was never finally decided, principally because of the focus placed on the SNG negotiations between 2002 and 2005.

75. The Minister for Economy of Ukraine reiterated their request in a letter to the Secretary-General in April 2006. While in the context of its 2006 Global Relations Strategy the WP6 agreed that Ukraine was a suitable candidate for observership, in practice the approach taken was to delay the invitation while developments in the market were watched. In 2009, the WP6 agreed in its revised Global Relations Strategy to continue to invite Ukraine on an *ad hoc* basis. Ukrainian officials last participated in a WP6 meeting in July 2011 (represented by the Ukrainian embassy).

76. It is proposed to invite Ukraine to participate in relevant WP6 activities as an **Invitee**. Despite Ukraine's past interest in Participant status, the size and trajectory of its industry suggest that there may be greater benefit from focusing WP6 attention on engaging with other economies as potential Participants.

Vietnam

77. The Vietnamese government has for some time targeted shipbuilding as a strategic industry, and considerable investment has been directed into new capacity. In 2011 it accounted for 1.1% of global vessel completions, putting it in fifth place, while its orderbooks in December 2012 were 1.4% of the global total, placing it just behind China, South Korea, Japan and Brazil.

78. However, the country's largest shipbuilder is a state-owned company (Vinashin) that is in severe financial difficulties. In 2010, the company owed more than USD 4 billion to its creditors and efforts are now being made to restructure the debt with support from the central government. Senior officers from the company have been jailed for economic mismanagement. It is unclear how the restructuring will affect the company's operations and what impact there will be on Vinashin's ability to attract new orders.

79. Despite the difficulties being experienced by its largest shipbuilder, Vietnam remains important in the shipbuilding industry and there is still significant potential for further development, particularly if the government remains engaged in the sector. But efforts to engage Vietnam in the WP6's work have only been partially successful and the only practical involvement to date was the participation of Vinashin in the 2008 WP6 report on the Vietnamese shipbuilding industry.

80. It is proposed to invite Vietnam to WP6 events as an **Invitee**, with a view to eventual invitation as **Participant** if Vietnam's industry maintains its position in the global shipbuilding market.

Other economies

81. There is a group of "other economies" which the WP6 may wish to engage with on an *ad hoc* basis, depending on the subject matter of informal WP6 events. These are economies with moderately-sized shipbuilding industries, or those with increasing links to the OECD through their interest in Accession. The economies are Argentina, Bangladesh, Bulgaria, Latvia, Lithuania, and Peru:

- Argentina was previously listed as a WP6 Invitee; however, its declining participation in the group and very small presence in the industry argues for a downgraded status.
- Bangladesh has had no contact with the WP6 to date, but its role as one of the world's largest ship recyclers, and its growing production, suggest it may be a potentially interesting partner for some activities.

- Bulgaria, Latvia, Lithuania and Peru have variously applied for or entered into the process of OECD Accession and have very small shipbuilding sectors.

7. Implementing the Strategy

82. As noted earlier, a substantial amount of work will be required to establish and maintain links to the WP6's proposed Partners, especially before invitations for Associate or Participant status can be issued. The first step for most of the proposed Partners is to seek regular participation as Invitees, to build interest in the group and its work.

83. The support of Member countries to implementing the Strategy is crucial. The Secretariat is actively seeking to strengthen engagement, but support from Member countries in identifying appropriate contacts in non-Member economies and using their bilateral links to advocate for the WP6 will be essential. The resources available to the Secretariat for undertaking global relations work are small and the WP6 needs to leverage off existing bilateral and regional opportunities. At the same time, attracting Partners will depend crucially on whether the substantive work of the WP6 is of interest.

84. To boost the WP6's global relations activity, the WP6 could pursue the following ideas:

- The Secretariat could inform delegates of relevant events and travel to non-Member economies, so that these could be supported by embassy networks, where possible;
- WP6 Members could nominate themselves to be "champions" for deepening contact with particular Partners in co-operation with the Secretariat. This could build on existing regional ties, for instance, and could involve identifying appropriate contacts through to hosting a regional event for WP6 and Partner economies;
- Focus could be given to attracting Partners to specific, themed events of the WP6, such as workshops and special sessions. These may be of greater interest to Partners than the regular WP6 meetings, which typically cover both analytical and administrative matters and sometimes have items limited to Members only; and
- Once links are more established, room could be given in the agenda of the WP6 meetings for Partners to present their perspectives on the key issues covered by the WP6.

ANNEX II: PARTICIPATION PLAN FOR THE COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)

PARTICIPATION PLAN		
OECD Body	Council Working Party on Shipbuilding (WP6)	
Subsidiary bodies to which this Plan applies:	All	
Global Relations strategy	C/WP6(2013)5/REV1 – Annex I	Approved on: 18 June 2013 [C/WP6/M(2013)1]
ASSOCIATES		
Conditions	Contribute to the achievement of the WP6's mandate and programme of work. An assessment of the candidate's policies in the shipbuilding field, including their coherence with the principles set out in the <i>Revised General Guidelines for Governmental Policies in the Shipbuilding Industry</i> [C(83)27] and the <i>Revised General Arrangement for the Progressive Removal of Obstacles to Normal Competitive Conditions in the Shipbuilding Industry</i> [C(82)194/FINAL].	
Fee	Associates will be charged an annual percentage share of the estimated costs of the WP6, calculated on the same basis used for Members' assessed contributions.	

Associate	Bodies to which invitation applies ⁸	Approval date, summary record ⁹	Exchange of Letters
<i>China</i>	<i>All</i>	<i>C/M(2010)1/PROV, Item 15 (21.01.2010)</i>	<i>Invitation not yet submitted to China*</i>
<i>Croatia</i>	<i>All</i>	<i>10-13 May 2007; C/M(2007)8/PROV</i>	<i>Invitation 6 September 2007; Acceptance 8 December 2008</i>
<i>Romania</i>	<i>All</i>	<i>10-13 May 2007; C/M(2007)8/PROV</i>	<i>Invitation 6 September 2007; Acceptance 6 July 2009; Notification of entry into force 10 May 2011</i>
PARTICIPANTS			
Participant	Bodies to which invitation applies ¹⁰	Approval date, summary record	Acceptance letter
<i>Russian Federation</i>	<i>WP6</i>	<i>10-13 May 2007; C/M(2007)8/PROV</i>	<i>Latest renewal acceptance 25 March 2011</i>
INVITEES			
Invitee	Bodies and items to which the Invitee may be invited ¹¹ :	Approval date, summary record	
<i>Chinese Taipei</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>	
<i>Malaysia</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>	

⁸ Invitations as Associate apply to the inviting body, its subsidiary bodies, joint bodies, Ministerial meetings and Global Fora, unless provided otherwise.

⁹ If applicable: information on suspension or termination should be mentioned in this column.

* The WP6 will invite China as an Invitee until such time as an invitation for Associate status is viewed positively by the Chinese authorities.

¹⁰ An invitation as Participant applies to the inviting body and its Global Forums, and may apply to its subsidiary bodies and joint bodies and Ministerial meetings.

¹¹ An invitation as Invitee shall apply to an individual meeting of the body concerned, or one of its subsidiary bodies or a meeting at Ministerial level, as provided for in the invitation. It may apply to meetings of joint bodies, provided that their constituent bodies agree. It may be limited to specific agenda items.

<i>Philippines</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>
<i>Singapore</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>
<i>Ukraine</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>
<i>Vietnam</i>	<i>All</i>	<i>18 June 2013; C/WP6/M(2013)1</i>
The following Invitees have been invited on a recurrent basis to participate in a (sub-)body's meetings for four years or more, and are not being proposed as Participants		
Invitee	Body	Reasons
KEY PARTNERS (FOR INFORMATION)¹²		
Key Partner	Invitation as	Bodies to which invitation applies¹³
Brazil	<i>Invitee</i>	<i>All</i>
China	<i>Invitee*</i>	<i>All</i>
India	<i>Invitee</i>	<i>All</i>
Indonesia	<i>Invitee</i>	<i>All</i>
South Africa	<i>No invitation</i>	<i>n/a</i>

12 Key Partners (currently: Brazil, China, India, Indonesia and South Africa) may be invited as Invitee or Participants without prior Council approval, but should be mentioned in the Participation Plan for information.

13 An invitation as Participant applies to the inviting body and its Global Forums, and may apply to its subsidiary and joint bodies and Ministerial meetings.

* Until the invitation to participate as an Associate is submitted and accepted.