

Setback for Brussels in WTO state aid ruling

By Hugh O'Mahony

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THE World Trade Organisation has ruled that European Union shipbuilders have illegally benefited from state aid.

It will prove a bitter pill for the European Commission to swallow at the end of its trade dispute with South Korea.

Last month, a WTO disputes panel upheld an EU complaint that measures by South Korea's Export-Import Bank breached global trade rules, ordering export subsidies to be removed within 90 days.

However, it rejected the EU's claims that restructuring aid to South Korean shipbuilders equated to illegal subsidy.

The ruling brought little satisfaction to either party, but they face a chance to kiss and make up next month in Paris by taking part in the Organisation for Economic Co-operation and Development talks on limiting state aid.

But, in a coda to the dispute, the WTO has upheld a counter-suit filed by South Korea claiming that European shipbuilders illegally benefited from state aid.

"We are aware the aid schemes of Denmark, Germany and Spain expired and were not renewed [from March 31, 2004]," said the arbitrators.

"However, we cannot determine with certainty whether and to what extent it is possible that subsidies continue to be provided."