Tens of thousands of Spanish shipbuilding jobs at risk

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Spanish shipbuilders are warning that as many as 87,000 jobs are under threat as the result of a recent European Commission (EC) ruling that nearly €3 billion in tax breaks given to the industry were illegal and must be repaid.

The EC launched a two-year investigation in 2011 in response to complaints from shipbuilders in the Netherlands and elsewhere in the European Union (EU) of unfair competition arising from a Spanish subsidy scheme set up in 2002. The scheme, which the Commission says it was not notified about as is required, allowed companies to buy ships using "leasing and financing through tax relief"—in other words, through a tax dodge.

Under the arrangement, a maritime transport company could purchase a ship via "a complex contractual and financial structure" involving third-party investors, rather than directly from a shipyard. The investors were able to avoid paying capital gains tax by taking advantage of yet another EU scheme. As a result, the maritime transport company acquired a ship with a reduction of up to 30 percent on the purchase price charged by the shipyard.

EC Vice President Joaquín Almunia, who is responsible for competition, stated that the scheme was "incompatible" with EU rules on state aid and allowed "companies to take undue advantage of a reduction in corporate tax."

"Economic interest groupings and their investors have benefited unlawfully from tax advantages which they must now repay to the Spanish state," Almunia said. The investors, not the shipyards, must return the money.

Almunia provided some relief to investors saying that they do not have to pay back the subsidies granted to them beginning in 2002, but only from May 2007, the month after the EC ruled a similar scheme operated by the French government illegal.

According to the association of small and medium-sized shipbuilders, PYMAR, the ruling signals the disappearance of shipyards in Spain. Since the EC started its investigation two years ago, the shipbuilding sector has also lost contracts for 50 ships, PYMAR added.

In recent years, 7 out of 26 Spanish shipyards have closed, leaving just 19 yards employing 87,000 people directly or indirectly. These remaining jobs are now threatened.

Shipyard workers in the Basque region, Galicia, Cantabria and Asturias in the north of Spain were called out on a token strike by the trade unions ahead of the decision by the EC.

In a statement published on July 9 by the Workers Commissions (CCOO) two days before Almunia attended a meeting with its general secretary and that of the General Workers Union (UGT), the Minister of Industry, PYMAR and the regional presidents of Galicia, Asturias and the Basque Country, the CCOO made clear that its main aim was a defence of Spanish business interests. The CCOO pleaded with the EC to limit the dates the subsidies have to be paid back to 2010-2011 rather than 2007-2011.

In addition, it called on the EC "to provide European shipbuilding legal security to end the ongoing trade wars within the European Union, some battles that only benefit the Asian shipbuilders." UGT General Secretary Candido Mendez repeated that the ruling "will benefit the Chinese and Korean shipbuilders and will damage the ability of Spain and Europe to compete…"

The position of the unions is indistinguishable from that of the shipyard owners. PYMAR President Álvaro

Platero stated, "We suffer the disloyal competition of the Asiatic countries. That is why we created the aid to the shipbuilders which has ended in a trade war provoked by Holland, which has won in the [EC] offices what they could not win in the field."

He had positive words for the unions who he described as having "worked for two years without sleep" and praised for being "a great ally" in a "common front."

This "common front" has existed for years, as the unions have sought to suppress opposition from workers to the Spanish ruling elite's restructuring and privatisation of the shipbuilding industry in response to global competition.

February 2004 was marked by the eruption of militant struggles by shipyard workers who accused state-run shipbuilder Izar, which was losing hundreds of millions of euros, of refusing to honour agreements and demanding that workers help reduce costs—i.e., sacrifice their wages and jobs.

In May of that year, the EC declared that €1 billion in subsidies to Izar was illegal and had to be paid back. The government, employers and unions defended the payments against "unfair Asian competition and the euro dollar exchange rate."

Shipbuilding workers reacted with demonstrations, wildcat strikes and the erection of burning barricades. However, by the end of the year, the unions had agreed to the breakup of Izar, claiming it was the only way to secure the future. Military shipbuilding was to be transferred to a new state company, Navantia, and civil ship construction privatised. The workforce was reduced by 40 percent from 11,077 to 6,977, and everyone over 52 years of age forced to take early retirement.

In 2006 the privatisation process was complete. Despite the unions protesting that the agreement 2004 was broken, they did nothing.

Since then the situation has worsened. Spanish orders have slumped by over 75 percent compared with 2008, the year of the outbreak of the global economic crisis. In March 2013, Navantia warned its workers that they must prepare to accept pay cuts in the face of "an alarming deterioration" in the company's results.

Other European shipyards have fallen by a similar amount to Spain. In addition, as of the end of April, ship export orders for Chinese shipbuilding enterprises have dropped nearly a quarter compared with the same date last year.

This is a global crisis that requires workers to reject nationalist exhortations and adopt an internationalist perspective. Without this, the subsidy crisis will be used, as it was in 2004, by the "common front" of the employers, government and unions against the working class to insist on further restructuring, more cuts to wages and the worsening of workplace conditions.