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GLOBAL SHIPBUILDING: CHINA'S DOMINANCE

The most concise description of the current condition of global shipping, as well as the entire global economy, is instability. While global instability and ongoing political, military and economic tensions in different regions are generally advantageous for the shipping markets in terms of freight rates growth, the distances travelled by vessels have been increasing, thus a question of overall sufficiency of the world's fleet to satisfy trade demand may be posed in the forthcoming future. This concern is further amplified by global fleet ageing, which UNCTAD specialists [1] regard as one of the main challenges faced by the industry at the current stage. This justifies the need for investigation of the current state of the shipbuilding market.

Today, the global shipbuilding activity is mainly concentrated in Asia, with China dominating the market and delivering 60% of merchant vessels. Japan and South Korea build 17% and 14% of vessels respectively, followed by the European cluster (5%) and the rest of the world producing the same 5%. Nonetheless, shipbuilding has not always been that China-oriented.

For instance, after the Second World War the leading positions in the shipbuilding market were occupied by European shipyards, which produced 80% of vessels globally. Over the next four decades, the share of European-built has steadily decreased to approximately 30%. In parallel, Japanese shipyards have expanded local vessels production and outpaced European counterparts in the mid-1970s, eventually reaching 43% of global output by 1989. At the same time the share the U.S.-built vessels have decreased to 1%. Chinese shipbuilding has gradually developed its share since 1990 (5% of global production). At the beginning of the 21st century Chinese shipyards already accounted for roughly 10% of global vessel production, while Japan still occupied the leadership, with its output fluctuating between 35% and 40% [2].

From among the reasons behind the rapid growth of Chinese shipbuilding, the core ones include China's industrial policy and membership in the WTO. Since 2001, China's exports has swiftly grown,

and more vessels were required to serve the increased export volumes. In addition, several key mechanisms allowed for the shipbuilding boom in China. Targeted government support, preferential financing and tax benefits for shipyards, as well as abundant and relatively cheap labour enabled cost-efficiency and competitiveness of the industry on a global scale [1; 2]. Infrastructure modernisation, including development of modern shipyards, and availability of steel produced locally have also contributed towards expansion of the resource-intensive shipbuilding.

Recent attempts taken by the U.S. Administration to impose tariffs and port fees on vessels constructed in China have been eventually suspended; however, the shipbuilding market has seen a mixed impact of the intentions. While deliveries have not been affected due to extended vessels construction time, new dry bulk and tanker orders measured in vessel numbers showed a year-on-year decrease in 2025. At the same time, containership orders have increased [2] suggesting those orders have been placed by carriers engaged in regional trade, wherein intra-Asian routes are known to dominate global containerised trade. If tariff discussions resurge, it is reasonable to project an intensified regionalisation of trade and shipping routes, along with an increased demand for smaller tonnage.

Given that the policy measures are continuously evolving, it makes it relatively challenging to fully assess their implications at the current stage. On the one hand, the structural transformation of global shipbuilding in the short term is hardly possible as China retains both comfortable leadership in shipbuilding in all cargo sectors, except for gas carriers where the Korean's supremacy is recorded, and factors underlying this solid leadership. On the other hand, robust niche positions of South Korea and Japan in producing technologically advanced smart and green vessels, along with investment in development of shipyards in other shipping countries, suggest the potential for a shift in the shipbuilding industry in the long term.

From this perspective, the direction of development of the decarbonisation trend and associated environmental maritime regulations is expected to be one of the decisive factors. It will either underpin a need in delivering a wide range of modern compliant vessels or enable China to build upon existing facilities and scale up production of units China has demonstrated high capability of delivering to date. In any case, the shipping industry gradually comes to a point where a massive substitution of outdated vessel units will be required, and those countries which get better prepared for a surge in demand will be able to yield considerable socio-economic benefits.

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