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Results from US probe into Chinese shipbuilding expected soon

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Shanghai Waigaoqiao Shipbuilding

Foreign owners are beginning to get anxious into the impending conclusions of the US probe into Chinese shipbuilding, aware that some of the possible recommendations could be highly punitive.

The US Trade Representative (USTR) launched an investigation into China's shipbuilding practices this April, with the Biden administration reacting to unions and bipartisan calls to clamp down on pricing policies for newbuilds constructed in the People's Republic.

A Chinese Commerce Ministry spokesperson dismissed the shipbuilding probe when it was announced, telling reporters in Beijing: "It lacks factual basis and goes against economic common sense to blame China for America's own industrial problems."

While these type of investigations typically take around 12 months, there is speculation that this particular one will be completed before November's presidential elections in the US.

One advisory from law firm Mayer Brown warned that if the USTR finds China's actions are unreasonable or discriminatory and burden US commerce, it will recommend remedies to the

president. These include a fee on vessels built in China that dock at US ports, something that has already drawn flak from Canadian and European owners.

The US secretary of the navy has urged the CEO of Maersk to buy American-made ships

Other recommendations also include the establishment of a shipbuilding revitalisation fund with proceeds from that fee, as well as actions to support stronger demand for US-built vessels – something that saw the US secretary of the navy, Carlos Del Toro, urge Maersk CEO Vincent Clerc to buy American-made ships while on a visit to Copenhagen last week.

Del Toro has been busy attempting to build up a coalition against China's shipbuilding dominance, touring yards in South Korea and Japan earlier this year looking to get investment to revitalise American shipyards. In June, South Korean conglomerate Hanwha sealed a deal to take over Aker-controlled US shipbuilder Philly Shipyard, while Canada's Davie Shipbuilding has just announced it will also invest in an American yard.

While the US Chamber of Commerce argued China does engage in unfair pricing practices, its chief policy officer, Neil Bradley, in a recent report said the proposed responses by Washington would not work.

Imposing a fee on Chinese-built vessels docking at US ports would be unlikely to generate sufficient revenue or market competitiveness to revive the US shipbuilding industry, Bradley maintained, adding that such a fee could lead to increased costs for American consumers and businesses.

China has a leading 46.59% share of the global shipbuilding market, while the US has an insignificant 0.13% share, according to data from the US Naval Institute.

Across China, shipyards are expanding and churning out ships on a scale not seen since 2008.

Chinese yards continued to hold the top rank as the most popular choice for bulker, tanker, container and gas newbuildings accounting for 441 orders placed in the first half of the year, around 66% of all newbuilding orders around the world, according to Rebecca Galanopoulos Jones, Veson's senior content analyst.

"The United States once considered its merchant fleet and shipyards as strategic capability, and ships and shipyards were subsidized by taxpayers," states a recent article from the US Naval Institute.

"Unfortunately, subsidies were eliminated in the 1980s, and the U.S. contribution to global output shrank from 0.50 percent to about 0.05 percent. On a labor and construction cost basis, U.S. shipyards cannot compete with foreign yards. Without a steady supply of contracts, they cannot maintain the industrial infrastructure or employ skilled workers."

European shipbuilders have also held a rallying call, determined to claw back business, urging politicians to come onboard.

SEA Europe, the association representing the European maritime technology industry, comprising shipyards and maritime equipment manufacturers, met with European members of parliament earlier this year in a call to action to European policymakers to formulate a comprehensive European maritime industrial strategy.

Europe has experienced a significant erosion in its merchant and offshore shipbuilding this century whereby it has become peripheral, trounced by the East Asian triumvirate of Japan, South Korea, and China. This decline has not only jeopardised the industrial capacity of European shipyards but also undermined the entire supply chain ecosystem encompassing equipment, systems, and technologies, and harmed naval shipbuilding capabilities.

“Because of substantial price differentials of 30% to 40%, combined with advantageous financial incentives – especially offered by Chinese banks – European shipowners have increasingly opted for Asian shipbuilders,” a release from SEA Europe stated.

Christophe Tytgat, secretary-general of SEA Europe, commented: “It is imperative to regain Europe’s shipbuilding capacity by securing orders from shipowners, including European shipowners.”

He has called on EU policymakers to enact a maritime industrial strategy as a matter of priority for Europe’s strategic autonomy.

“This strategy should bolster technological leadership, facilitate investments, and nurture a skilled workforce. By strengthening its shipbuilding capacity amidst a challenging global landscape, Europe will enhance its economic security and strategic autonomy in the maritime domain, which is much needed in a context of geopolitical tensions,” Tytgat said.

Splash is aware of owners now questioning whether or not to build in China. Finland’s Meriaura, for example, cited geopolitics this April in choosing a Dutch yard for its next newbuilds.