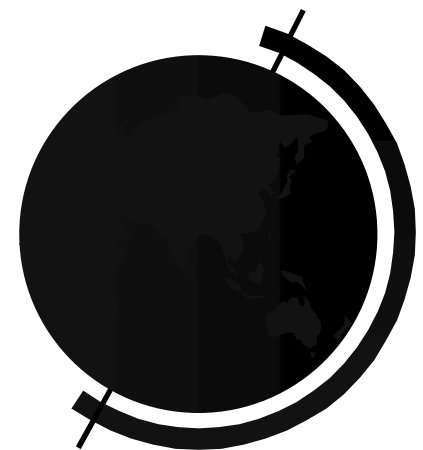


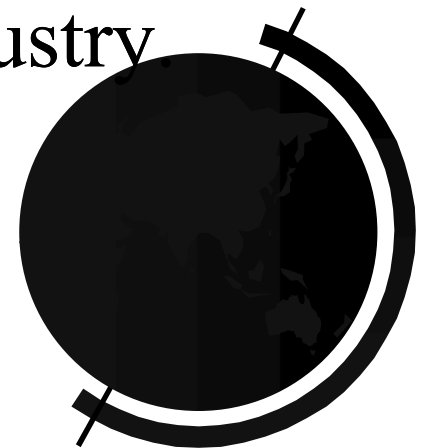
Activities of World Shipbuilding FDIs in Recent Years

China Shipbuilding Economy Research Center



Main purpose of FDI

- There are lots of reasons for FDI, for example, to get closer to customer, to occupy the domestic market, to get more talent people, etc.
- To achieve low cost is perhaps the main purpose for FDI in shipbuilding industry



Why we have this conclusion?

- Shipbuilding cost is very important for competitiveness, especially for conventional ship markets.
- In these market, technology is mature, while the competition focus on price.
- We have seen many FDI in China, Vietnam, Philippines, all these countries have low cost advantage.



Why we have this conclusion?

- The main products of these FDI shipyards are mainly bulkers, tankers, and container ships.
- There are also lots of ship block yard in shipbuilding FDI, such as that of Daewoo Weihai, Samsung Ningbo, one of their main purposes is to get lower cost advantage.



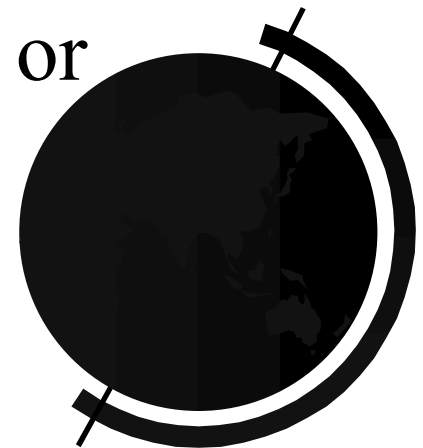
FDI destination country is also a factor

- The destination country have a solid base for shipbuilding, labour, steel industry, marine equipment industry, and etc
- The government's policy is also very essential, they should be open to shipbuilding FDI.
- Government's support can help to get land and infrastructure.



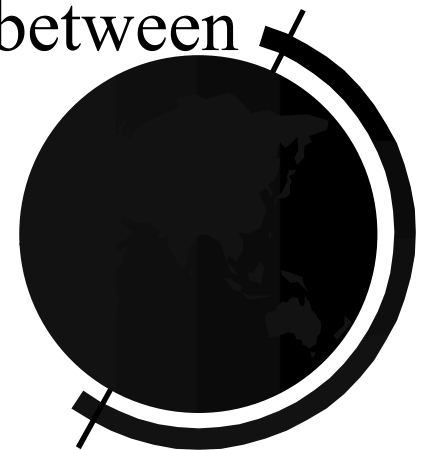
Shipbuilding industry in destination country must be taken into account

- If its shipbuilding industry is relatively weak, there will be more technology offered.
- There will be more value-added ship for that country, for example, over 10 thousand TEU container ships for HHIC-philippines.
- If its shipbuilding industry is strong, or getting stronger, FDI will keep their strategic products at home.



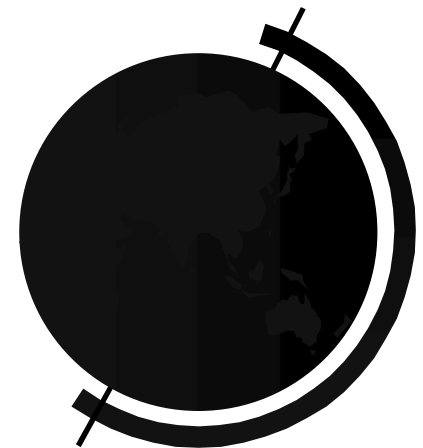
Leakage of knowledge?

- Destination country will welcome the technology transfer by FDI, upgrading their product structure.
- While FDI will fear of leakage of key technology, corrupting their core competitiveness.
- Well-established Intellectual Property system will help FDI be more safe.
- To share or not to share? Win-win game between FDI and destination country is expected



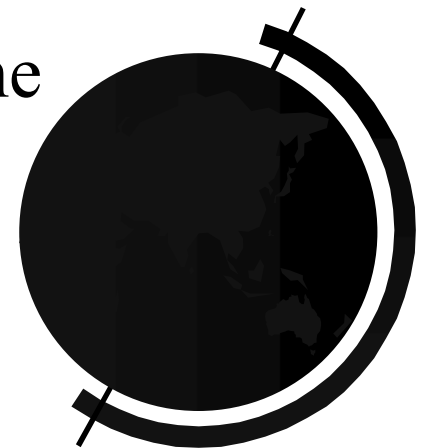
Why there have been so many shipbuilding FDI

- The market demand is so strong, great pressure caused by shortage of shipbuilding capacity.
- The main demand drive come from the bulk carrier sector, where cost is most important and technology threshold is low.



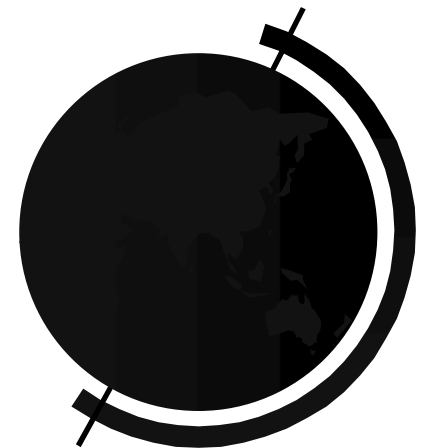
Bulk carrier becomes the star

- Boost of price makes building bulkers a very profitable business.
- Many FDI projects found in these area, the investor includes ship owner, block manufacturer, marine equipment manufacturer, ship repairer, and even from other industries.
- Diversification of business structure is one reason, but there is sure to be some speculations.



When the market come down

- There will strategic adjustment for shipbuilding FDI by MNCs——close it or make it the successor?
- Cost-driven FDI will be less welcome, while those who help to improve technology level will be more preferred.
- One thing to remember: Speculations will pay the bill.



Thank you

