

# Measures against the serious gap of supply and demand in Shipbuilding market

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Ministry of Land, Infrastructure,  
Transport and Tourism (MLIT), JAPAN

# **1. Past Shipbuilding Recessions**

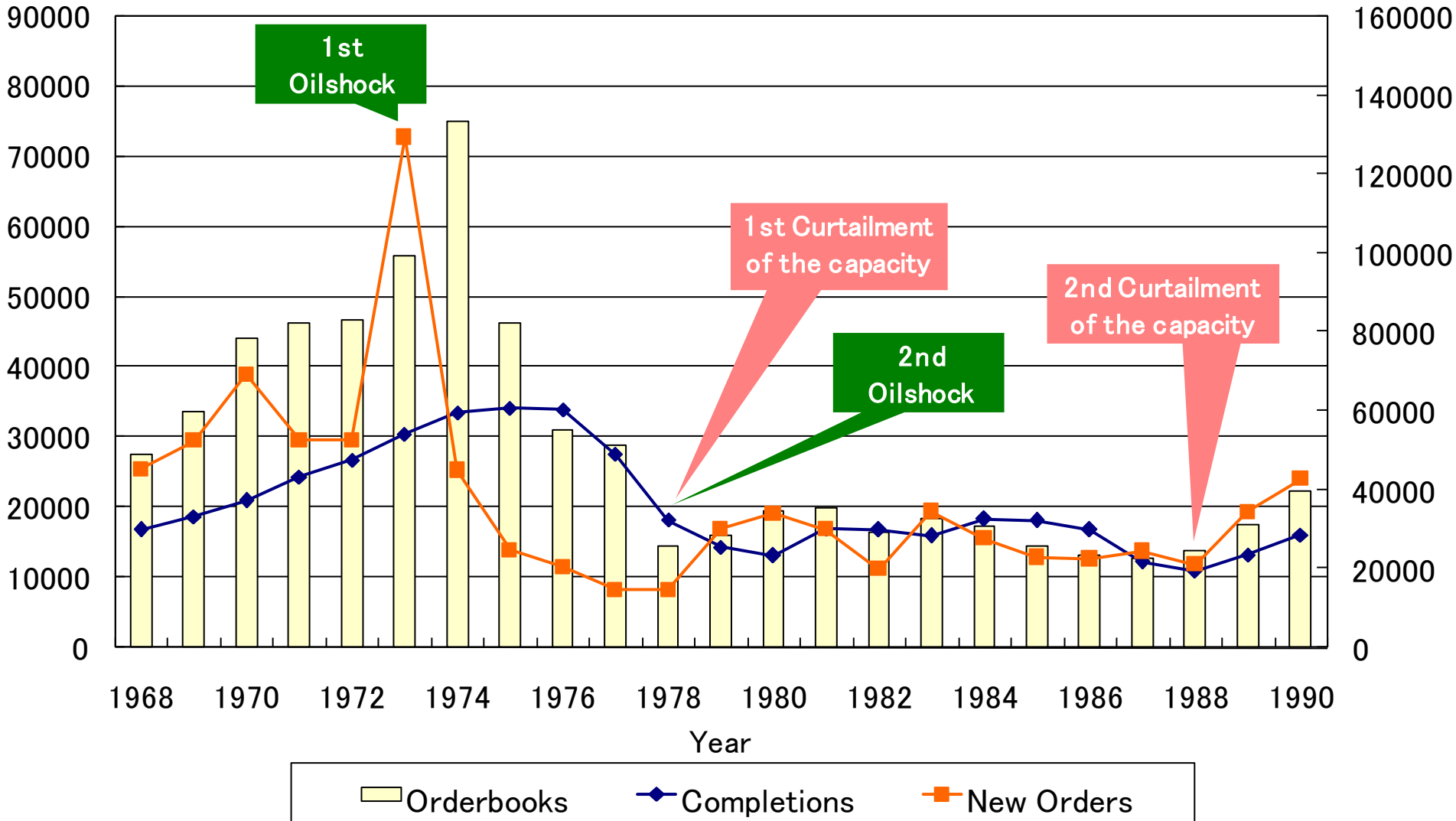
## **2. Current Situation**

## **3. Conclusions**

## Transition of the world shipbuilding industry

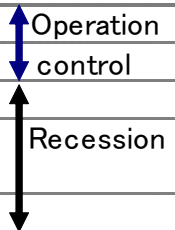
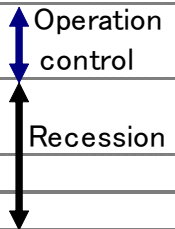
New Orders, Completions  
(1000GT)

Orderbooks  
(1000GT)



## Chronological Table of Actions taken

	Market	International Dialogue	Within Japan
1950s			50% share of the world shipbuilding market
1973	<ul style="list-style-type: none"> <li>● 1st Oil Crisis</li> <li>- Sharp fall of tanker market</li> <li>- extremely glutted market</li> <li>- extreme price competition</li> </ul>		
1974			
1975			
1976	Friction between Japan and Europe	'General Guidelines For Government Policies in the Shipbuilding Industry' (OECD)	
1977			
1978			Instruction of the export price
1979	<ul style="list-style-type: none"> <li>● 2nd Oil Crisis</li> <li>● 'Mini boom' in the dry cargo market</li> </ul>		1st Curtailment of the shipbuilding facility (37%)
1980			
1981			
1982			
1983		Amendment of the General Guidelines in 1976 (OECD)	
1984	● 'Handy Bulk boom'		
1985		Plaza Accord	
1986			
1987			
1988	extremely glutted market		2nd Curtailment of the shipbuilding facility (23%)
1989			
∩	The beginning of rapid development of the shipbuilding industry		



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∩	The beginning of rapid development of the shipbuilding industry			

## Chronological Table of Actions taken

**Japan had cut down its shipbuilding capacity in the past recessions as a responsible position; as the leader of the world shipbuilders.**

Year	Market Situation	International	Actions
1976	Friction between Japan and Europe	'General Guidelines For Government Policies in the Shipbuilding Industry' (OECD)	
1977			
1978	<ul style="list-style-type: none"> <li>● 2nd Oil Crisis</li> <li>● 'Mini boom' in the dry cargo market</li> </ul>		Instruction of the export price
1979			<b>1st Curtailment of the shipbuilding facility (37%)</b>
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?	The beginning of rapid development of the shipbuilding industry		

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↑ Operation control  
↓ Recession

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↓ Recession

## Chronological Table of Actions taken

	Market	International Dialogue	Within Japan		
<p><b>Japan had cut down again its shipbuilding capacity in the past recessions as a responsible position; as the leader of the world shipbuilders.</b></p>					
1976	Japan and Europe	Government Policies in the Shipbuilding Industry' (OECD)			
1977					
1978	<ul style="list-style-type: none"> <li>● 2nd Oil Crisis</li> <li>● 'Mini boom' in the dry cargo market</li> </ul>		Instruction of the export price	↑ Operation control	
1979			1st Curtailment of the shipbuilding facility (37%)	↑ Recession	
1980					↓
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1985		Plaza Accord		↑ Operation control	
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1987				↑	
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1989				↑	
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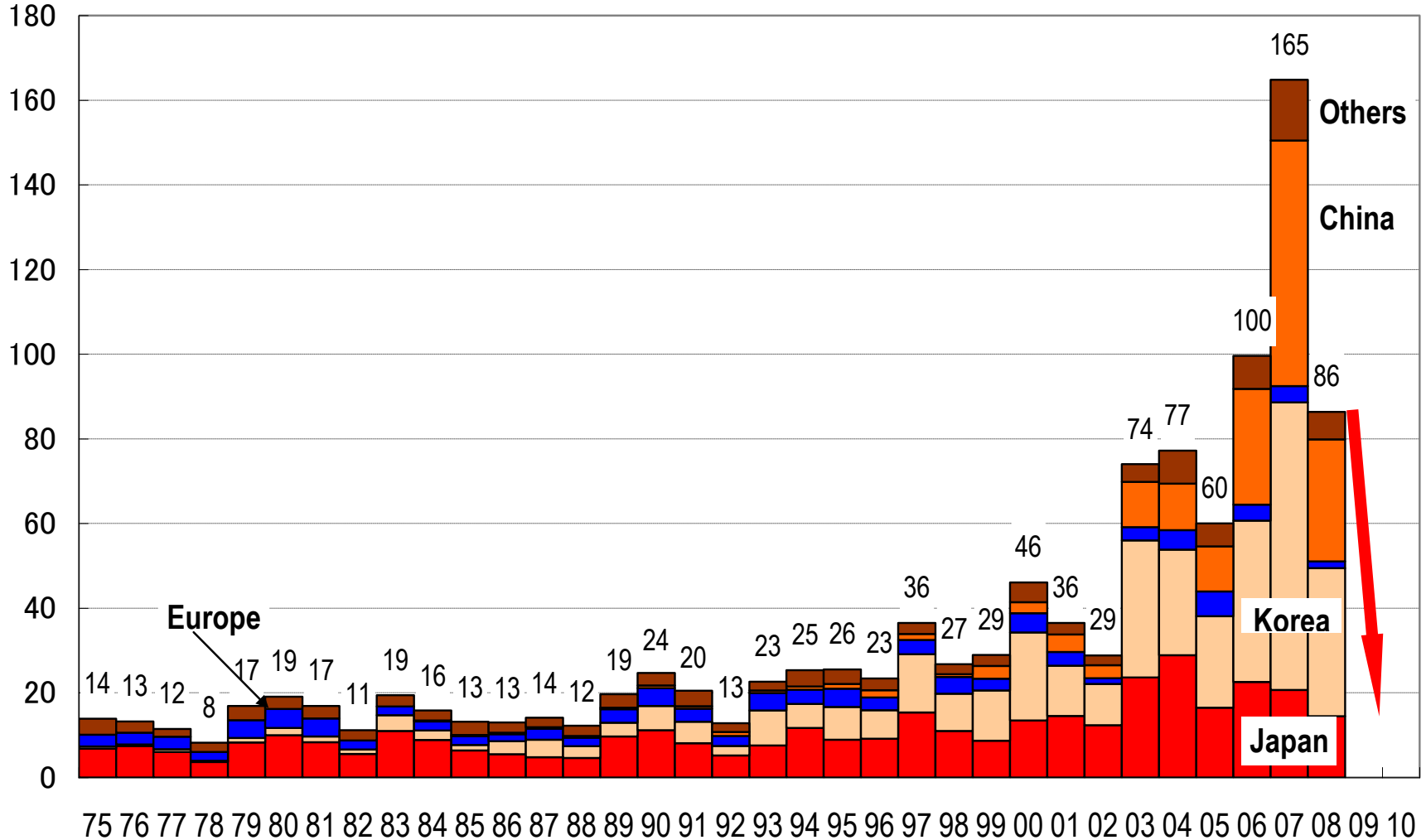
**1. Past Shipbuilding Recessions**

**2. Current Situation**

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## World New Orders

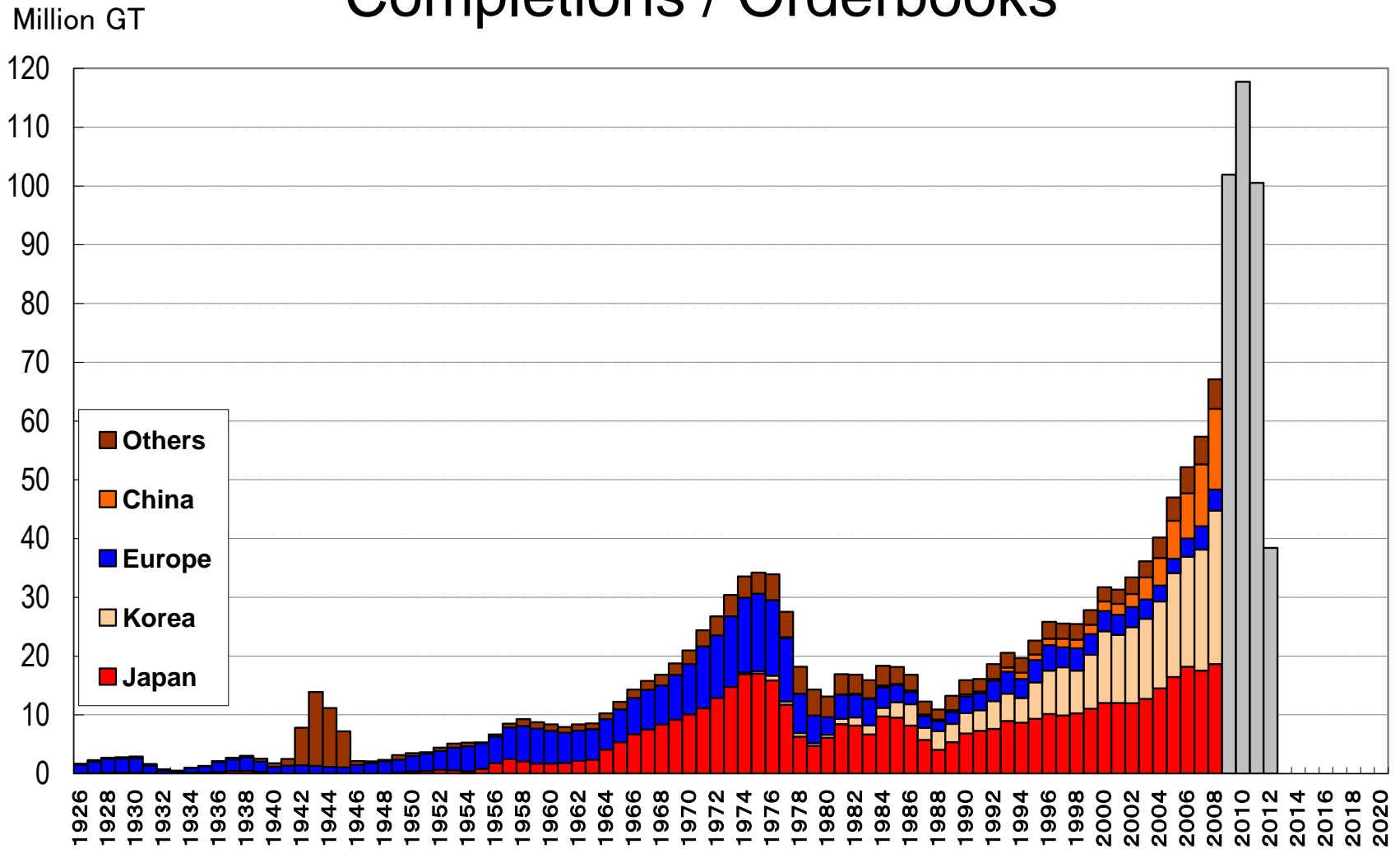
Million GT



Source : Lloyds - Fairplay

Japan Shipbuilders' Association

## Completions / Orderbooks



Source : 1926-2008 Lloyds – Fairplay  
2009-2012 Clarkson

Japan Shipbuilders' Association

**1. Past Shipbuilding Recessions**

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## “General Guidelines For Government Policies in the Shipbuilding Industry ”

(adopted in 1976, amended in 1983)

### < Abstracts >

Each government of WP6 should:

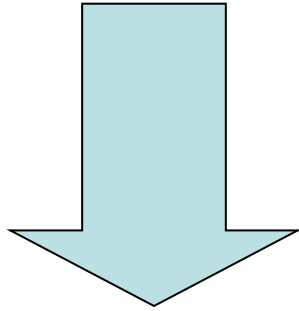
- endeavor to ensure that a priority aim in the restructuring of its shipbuilding industry remains the **appropriate adjustment of production capacity**;
- **not to take any measure nor give, directly or indirectly, any aid to its shipbuilding industry**;
- **watch that the practices of its industry remain**, particularly with regard to prices, in a framework of fair competition;
- **refrain from taking measures** which would **help to create new shipbuilding capacity** and would **aggravate the worldwide structural imbalance** in the shipbuilding industry;
- watch in particular that the restoring of normal and balanced conditions in the market not be disturbed by the premature reactivation of capacities.

## Desirable shipbuilding Policy

- 1. Stopping any expansion of shipbuilding capacity**
- 2. Eliminating direct or indirect subsidies for shipbuilding industry and monitoring the practices of its industry, particularly, ship's prices**
- 3. Appropriate adjustment of production capacity**

## 1. Stopping any expansion of shipbuilding capacity

**Current shipbuilding market is overcapacity**

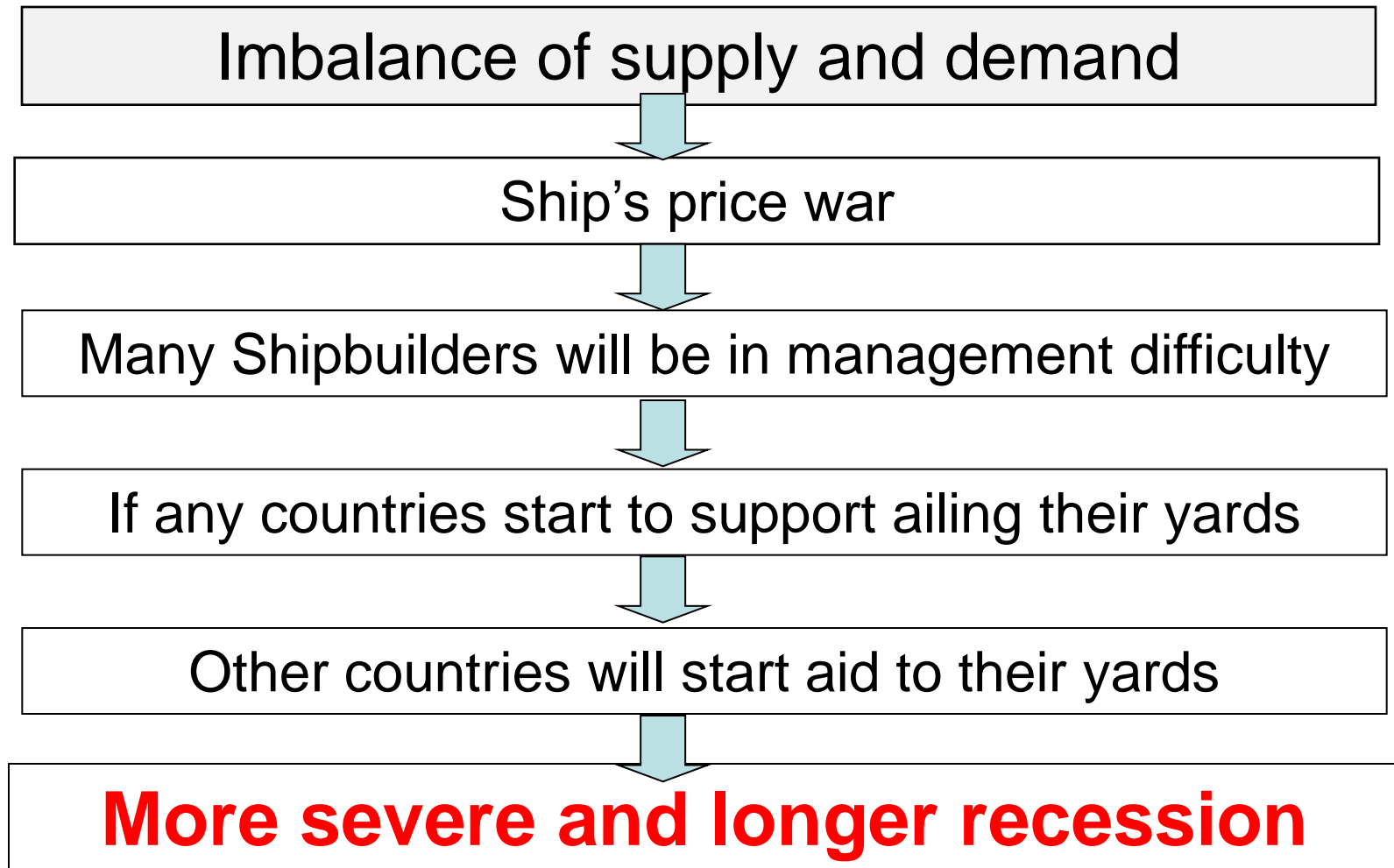


**< Fine action >**

**China prohibits new  
expansion projects  
for coming three years.**

**Every major shipbuilding country shall stop  
not only new projects but also every ongoing  
expansion projects.**

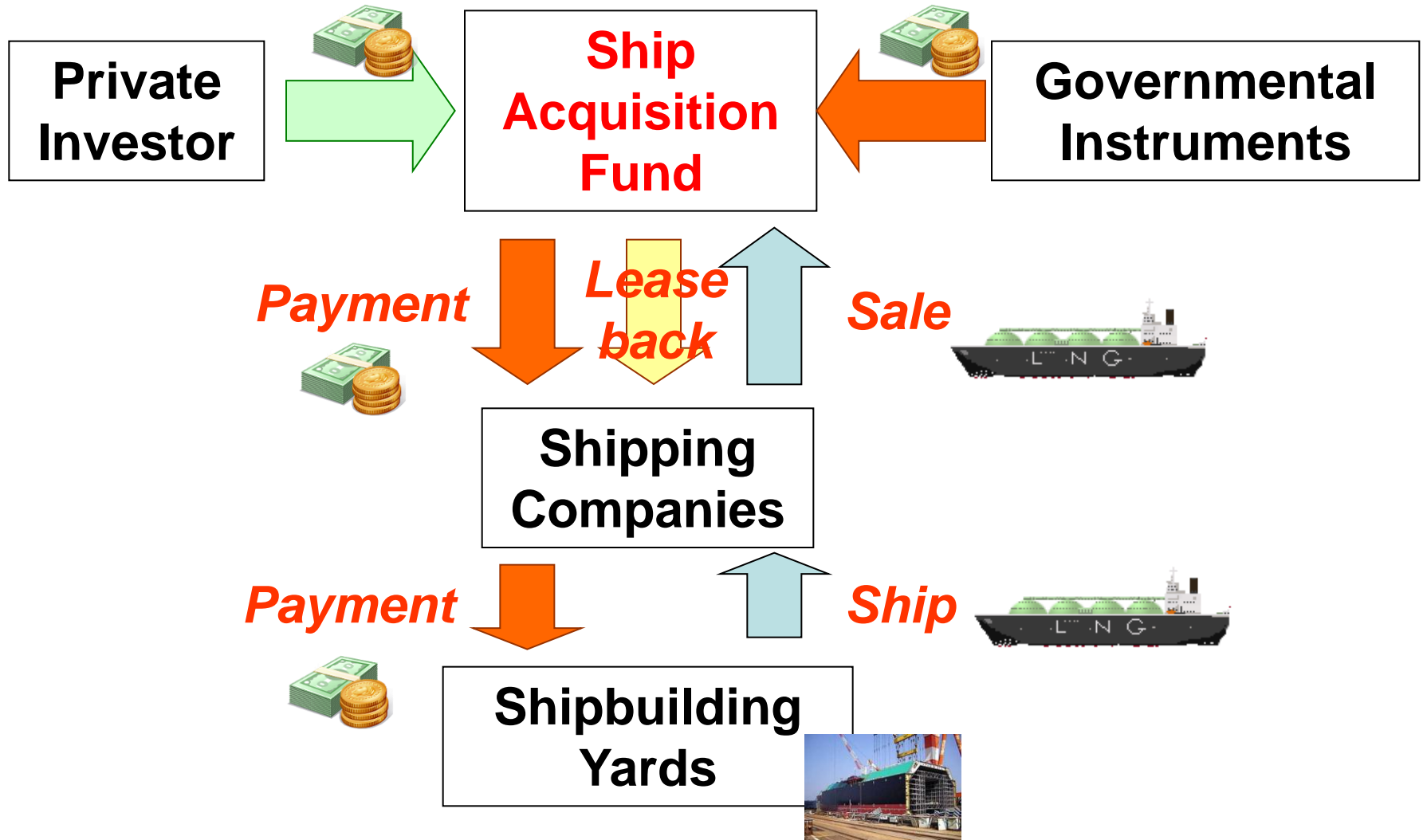
## 2. Eliminating direct or indirect subsidies for shipbuilding industry and monitoring the practices of its industry, particularly, ship's price





## Current Support or Aid

For Example...



## **2009 MINISTERIAL CONCLUSIONS (C/MIN(2009)5/FINAL)**

**(adopted at the council meeting at ministerial level  
on 25 June 2009)**

### **Paragraph 12**

**We shall resist protectionism.**

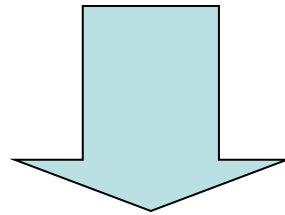
**.....**

**The measures for assisting industries must be transparent, temporary and WTO consistent, minimizing distortion on trade and investment.**

**We welcome the role of the OECD to continue to undertake relevant analysis and to identify policy approaches that are most effective and least distorting for trade and investment;**

**...**

**Need to Eliminate direct or indirect subsidies for shipbuilding industry and monitoring the practices of its industry, particularly, ship's price**



**Strong needs to re-open negotiation for a shipbuilding agreement**

## 3. Appropriate adjustment of production capacity

**Year 1979**

World market share  
Japan:Europe = 1:1

Common understanding of necessity for restructuring policy

~Japan~

Capacity reduction  
by government initiative

~Europe~

Subsidy reduction by EU

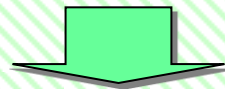


**Goal of world supply reduction**

**Year 2009**

World market share

Korea 39%    Japan 28%  
China 21%    EU 8%



**Common understanding of sustainability  
for the world ship building industry**



**How?  
What?**

**Thank you for your kind attention.**