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SWOT Analysis of China Shipbuilding Industry by Third Eyes

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Abstract

Global major shipbuilding industry has already shifted to the Asian reason, mainly China, South Korea and Japan; the three shipbuilding giant in the world. China has been implementing shipbuilding as a strategic industry at the beginning of this century to establish itself as a major maritime power. It is now the world largest shipbuilder in terms of gross tonnage and value. This paper tries to find out China?s shipbuilding efforts and strategies that have enabled the country to make its shipbuilding industry competitive and efficient. This research is based mainly on data collection from shipbuilding stake holders of China and SWOT analysis of China shipbuilding has been done on this basis. Present world economic status, China economic status, global shipbuilding trend, order and China shipbuilding growth have also been discussed.

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Keywords: Global trade; Order; Trend; Growth; Strength; Weakness; Opportunity; Threat

1. Introduction

About 90% of global trade in terms of value is seaborne. The seaborne trade is about 7 billion tons annually; usually contributes 15% to global GDP [1]. Global major shipbuilding industry already shifted to the Asian reason, mainly China, South Korea and Japan; the three shipbuilding giant in the world. China has taken an effort and implements a shipbuilding strategy in the beginning of this century to establish itself as a major maritime power. It is now the world largest shipbuilder in terms of gross tonnage and value; leaving behind both Korea and Japan. China is the world largest trading nation and World Bank estimates that, it will continue its economic development in coming future even [2]. CNN [3] reported that Chinese total trade for 2013 reached US$ 4.2 trillion. China overtakes USA and become top trading nation and manufacturing economy in the world in 2014. China?s shipbuilding efforts and strategy has enabled the country to make its shipbuilding industry competitive and efficient and provided an opportunity to describe how a judicious mix of public and private enterprise can kick-start an industry and establish sustainable economic boom [4]. This is a research paper based mainly on primary data collected physically by first author from China from shipbuilding stake holders like renowned shipyards, classification societies, manufacturers of shipbuilding materials and machineries and also secondary information from shipbuilding literatures. Researcher work under CSIC in a renewed shipyard for more than three years in china and analyze the industry by physical involvement. Shipbuilding industry of china is a vast and widely spread around the china coast and riverside. So it is a very complicated and challenging task for a foreigner to analyze the industry. Moreover, language barrier and access to information inside China is also a big challenge. However, everything was under reasonable control due to physical presence in China of the researcher and direct involvement to the industry for three years. This research work mainly focuses on China

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economic status in context of world economy, global shipbuilding trend, shipbuilding practice in modern days, global shipbuilding order, china shipbuilding growth and Strength Weakness Opportunity Threat (SWOT) analysis of China Shipbuilding Industry.

2. Justification of Empowering Shipbuilding Industry in China

Shipbuilding is considered to be one of the most strategic, oldest, most open and highly competitive markets in the world. Shipbuilding industry is always dominated by maritime nations and it usually has vast experiences in surviving during peaks and slumps of economy. As shipbuilding is a highly capital intensive industry so strong government support and political stability is prerequisite to survive this industry. Also the key factors that driving the growth of the market are GDP, global seaborne trade, improved economic growth, rising urbanization, fossil fuel price and increase in global steel production. China?s economy has experienced a strong annual GDP growth rate of average 10% during the last decade [5]. It is expected to continue its growth momentum and overtake the USA in GDP by 2020. A high rate of savings, abundant and increasingly skilled labor, healthy export business, social security and potential urban growth reach the China at the top within 2020 leaving behind all countries in the world. Figure 1 shows GDP growth of China that has been forecasted by International Monitory Fund (IMF). On the other hand, China?s socialist market economy is the world?s second largest economy by nominal GDP and the world?s largest economy by purchasing power parity according to the IMF [6] . China is a global hub for manufacturing, and is the largest manufacturing economy in the world as well as the largest exporter of goods in the world leaving behind USA. China is also the world's fastest growing consumer market and second largest importer of goods keeping USA above. Services Account Balance from 2007 -2011 of China's economy has always been in slight deficit, and China is a net importer of Services products. China is the largest trading nation in the world and plays a vital role in international trade and has increasingly engaged in trade organizations and treaties in recent years. China has free trade agreements with several nations. Again on the basis of per capita income basis, China ranked 82nd by nominal GDP and 89th by GDP (PPP) in 2013, according to the IMF. The provinces in the coastal regions of China tend to be more industrialized, while regions in the hinterland are less developed. Figure 2shows the ten largest economies in the world in 2050, measured in GDP (billions of USD), according to Goldman Sachs research and this graph clearly demonstrate why China has taken shipbuilding as a strategically industry for the expansion of China in near future.

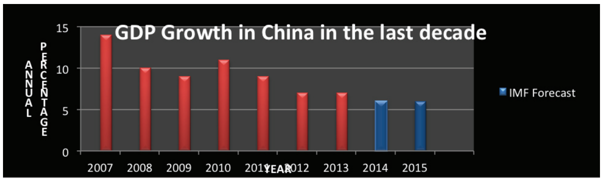

Fig. 1: Trend of GDP Growth of China (forecast by IMF)

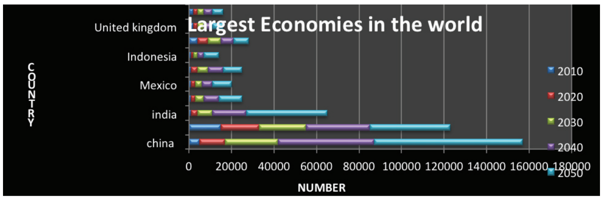

Fig. 2: The ten largest economies in the world in 2050, measured in GDP (billions of USD), according to Goldman Sachs research.