2026: the year of the horse?

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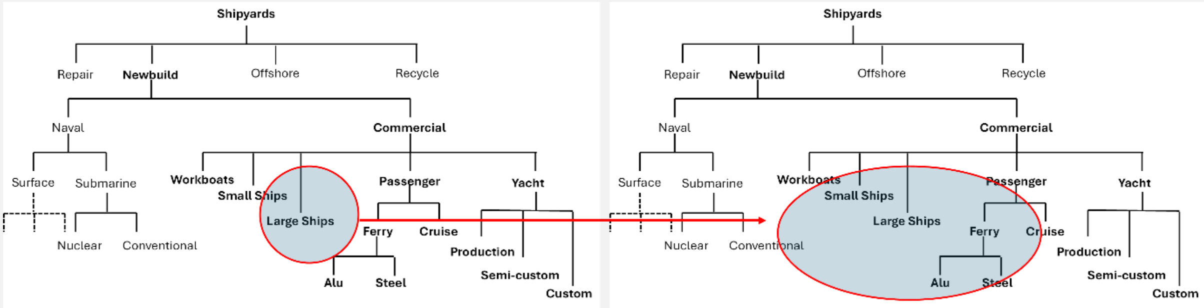

Hello and thanks to those following.

I blogged last week about the extent of the change in global commercial shipbuidling that we have seen, particularly over 2026 but in full over the past three years. China has taken a dominating role to a level unseen for a century and the basis for competitiveness appears to have shifted from volume to availability of human capital. (For more on the volume paradigm that has kept South Korea leading for the past two decades, see the text book "*Understanding Commercial Shipbuilding: a market perspective*", available free for download from www.strategicmaritime.co.uk).

In my textbook I argue that commercial shipbuilding is not a single market but is a set of inter-connected sectors that are defined by competition and price formation. South Korea needed volume to maintain market dominance and that meant pursuit of orders for large ships, essentially post-panamax, and the higher the value the better – which explains why South Korea was most interested in large container and LNG.

China is not focussed in the same way – in aggregate, in fact, the Chinese industry is not focussed at all. China is looking for share in all sectors, including in the small and specialised market sectors, which in the past were outside the focus of the market dominator. This means that industries that have survived through specialisation are now subject to the essential voracity of the market dominator.

The picture (based on a figure in my text book) illustrates how the focus of the market dominator has changed, in the shift from South Korea to China. It is a mistake to believe that national industries act as a coordinated whole, which is why this is an illustration rather than a precise market definition: the sub markets may well be operating within China. In South Korea internal competition between the mega-yards was an important part of the market. How much this may have changed in China is not yet apparent. Cruise is not yet succesful in China, but the industry is trying to change that. How long before yachts come within the circle also?

The world is changing rapidly, with risks and volatilities that accompany the end of the rules and norms that came into being post-WWII. The way industries seek to survive in this scenario similarly needs to change.