Panel Discussion 2

Strengthening the Maritime Industrial Base to Secure Stable Maritime Transport

Introductory remarks:

- A quick review on the history of Japanese maritime industries and the relation between shipping and shipbuilding
- Challenges (difficulties) for policy makers

Shinichiro OTSUBO, PhD

Both shipping and shipbuilding in Japan almost completely diminished after World War II.
Post-war policy priority was **“planned shipbuilding”** **aiming to revitalize both shipping and shipbuilding at the same time** through the provisions of preferential loans via Development Bank of Japan.



As the Japan’ economy marked high growth, both Japanese shipping and shipbuilding, under close cooperation between them, have developed rapidly.



High economic growth meant that **Japanese cargo owners** (energy and utilities, steel, automobiles, chemicals, etc.) **were stable clients for maritime industries.**

Virtuous Cycle in Japan's Maritime Industries (former model)

AN EXAMPLE OF THE "PREDETERMINED HARMONY"
– in the case of iron ore or coal carrier



1. STEELMAKER / CARGO OWNER

Imports iron ore and coal /
Supplies steel including thick steel plates for shipbuilding

Secure safe and reliable transport service

Procurement of large-volume steel plates

Mutual dependence

Long-term transport contract

Predictable revenue

2. SHIPPING COMPANY

Transports raw materials for a cargo owner
With new ship made in Japan

Newbuilding orders

3. SHIPBUILDER

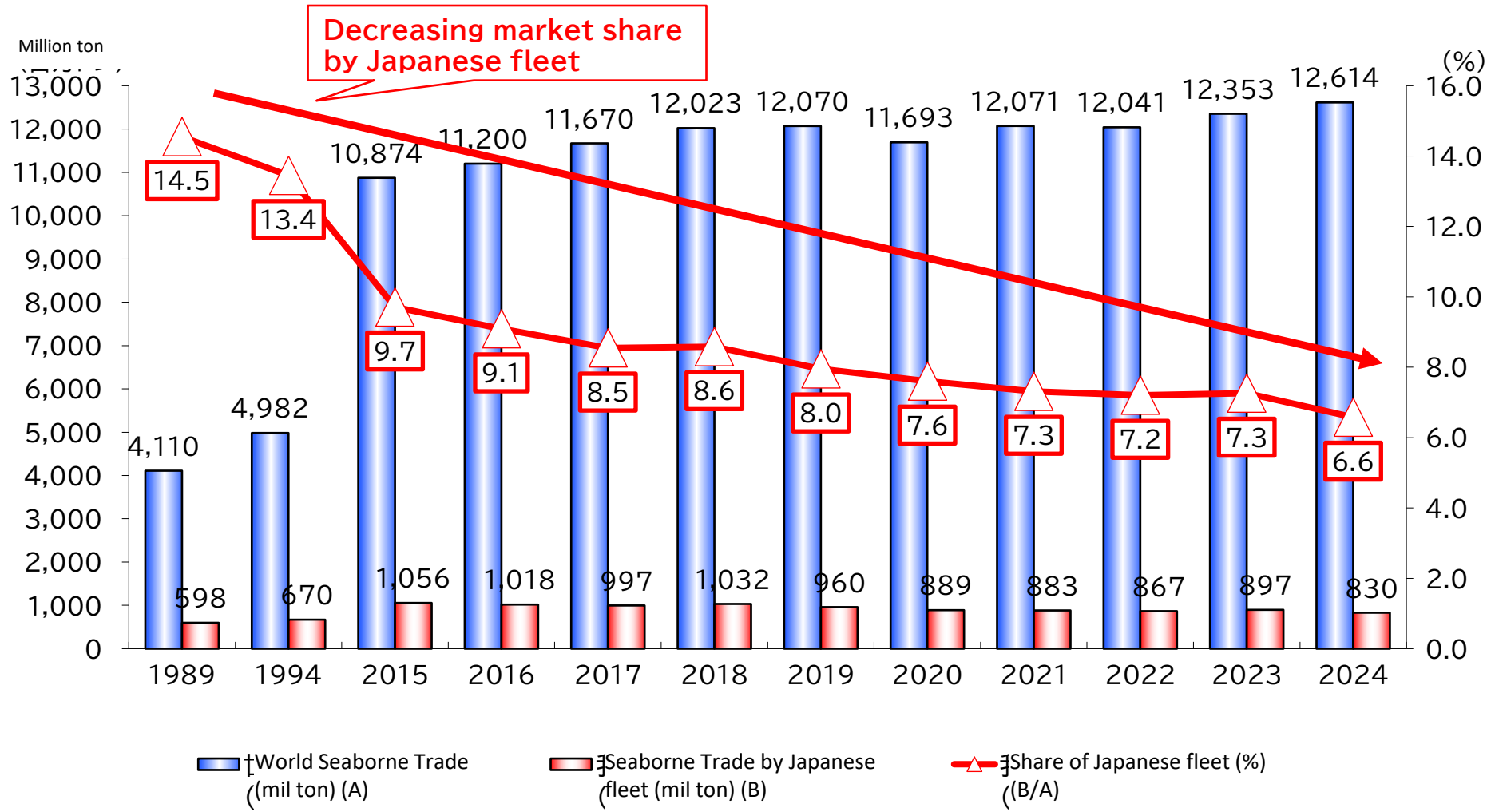
Builds bulk carriers

Favorable competitive situation based on long-term relations with shipping and cargo owner

Obtain high-quality ship suited to user needs, based on technological cooperation

Time has passed, and
that Virtuous Cycle in Japan's Maritime Industries was forced to change.

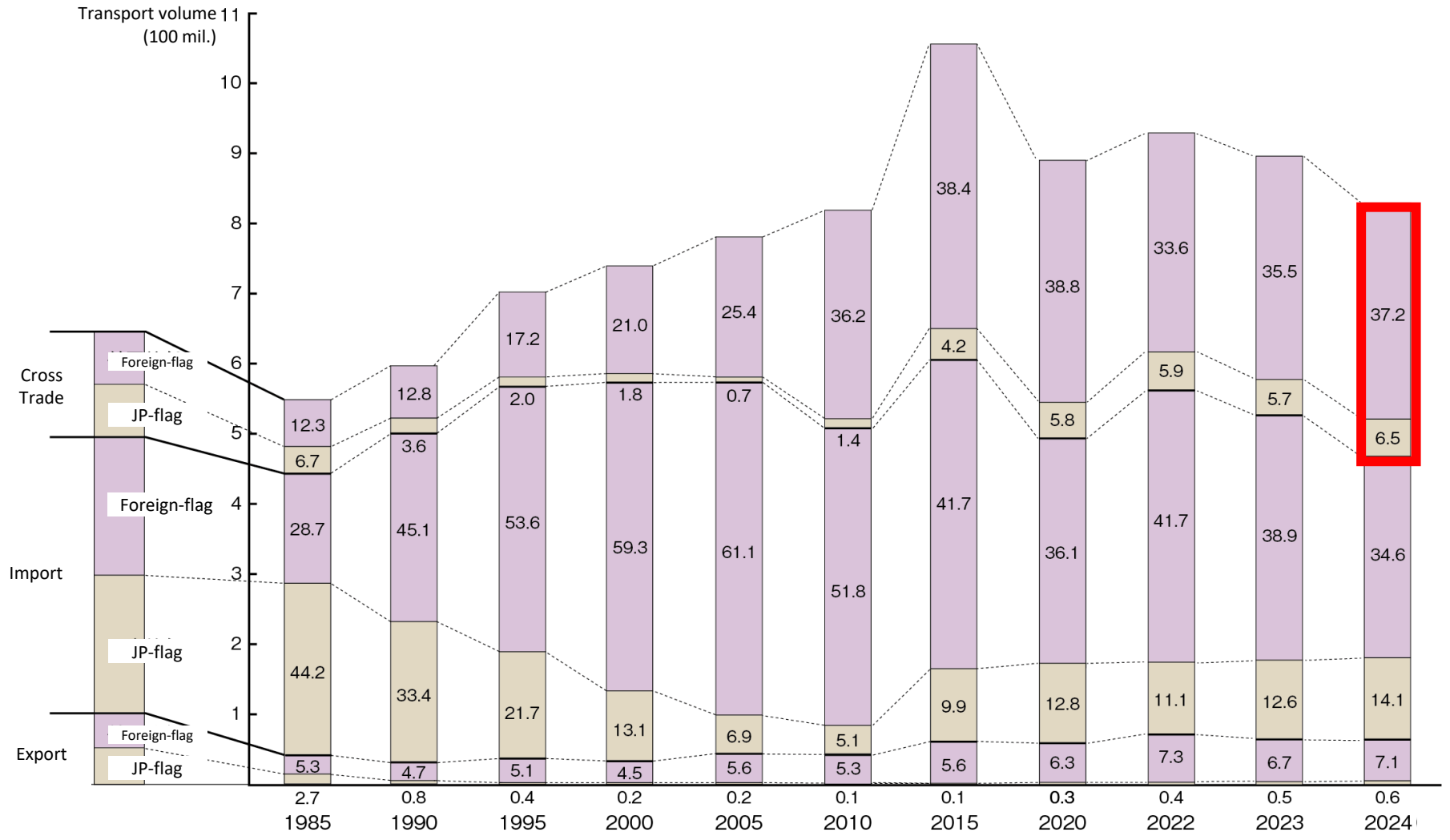
While the world seaborne trade has continuously been growing, the volume transported by Japanese fleet has not changed much. i.e., Japan's share has been decreasing



Source: Maritime Bureau, MLIT (2024)

Cargo volume transported by Japanese merchant fleet

The portion of the cross trade (trade of which O/D is not Japan) has increased; it has been stable around 40% of the total cargo volume for the last 15 years.



Source: SHIPPING NOW 2025-2026 (Japan Shipowners' Association)



An example of “predetermined harmony” BRASIL-MARU

- Operated by Mitsui OSK Lines
- Transported Iron Ore exclusively for NIPPON Steel
- Bulit by Mitsui Chiba Works

With a decreased presence of the Japanese economy, the share of cargoes of which O/D is Japan has decreased.

Japanese shipping companies compete in the global single market with increasing share of cross trade (less dependence on Japan O/D cargoes)
Japanese shipbuilding companies face severe competitive conditions against government-owned or backed Chinese and Korean yards.

What happened to the players related to BRASIL-MARU?
MOL remains a major player, while increasing non-Japanese newbuilding orders
Mitsui Chiba Works has already been closed down
NIPPON Steel, still being a major player, while closing down many blast furnaces in Japan and reducing domestic capacity, makes massive investments in US Steel.

The challenges that we face…

Shipping companies must survive the competition in the world-wide single market.

Question: Now, ships seem to have become a commodity-like business tool for shipping companies. Should they be procured anywhere that has the lowest costs?

> You may say Yes, IF shipbuilding is being carried out in many countries with geopolitical risks being widely spread. The reality is far from that.

Question: Is domestic shipbuilding capacity not needed for competitive advantages for shipping companies?

Question: What would be the optimum policy-mix?

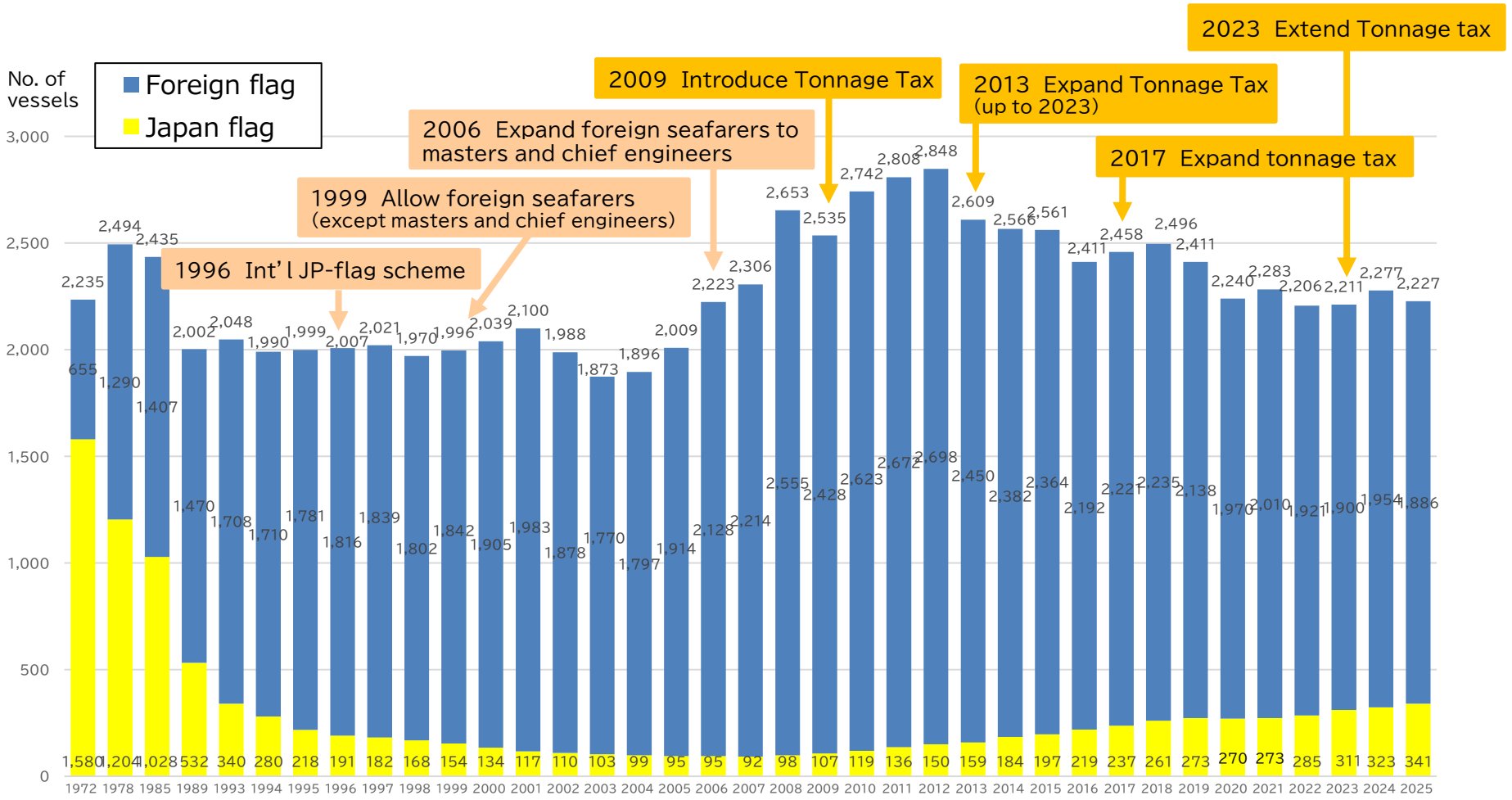
Shipping is not a public work.

Excessive intervention to private businesses may not fare well.

References

Japanese merchant fleet
– number of ships operated by Japanese shipping companies

Japanese flagged vessels bottomed in 2007 (92 vessels), but gradually increased (341 vessels now)



Source: Maritime Bureau, MLIT