INDUSTRY UPDATES

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INMEX CHINA

5 – 7 December 2018

Guangzhou, China

http://www.maritimeshows.com/china/

News

1. Chinese shipbuilders tap rising cruise demand, rattle European rivals

By Reuteres
Posted on July 25, 2017

SHANGHAI (Reuters) - European shipbuilders' dominance in the $117 billion passenger ship industry may come under threat as Chinese rivals move into the sector to tap booming local demand for cruise holidays.

China's government has earmarked cruise shipbuilding as a major objective in its "Made in China 2025" program to upgrade its domestic manufacturing and support jobs at its shipyards, as domestic demand for cruise trips increases 30 percent a year.

This push into the higher-value cruise vessel sector is rattling European yards, leaders in an industry that requires sophisticated supply chains to make and fit out complex luxury liners. Some European shipbuilders fear China could come to dominate the cruise ship market, much as it has done in cargo ships over recent decades.

"This is a state objective that threatens to cause tremendous distortion in competition," said Reinhard Luken, chief executive of the German Shipbuilding and Ocean Industries Association (VSM), which represents German maritime firms such as shipbuilders Meyer Werft and Meyer Turku.

"There are almost endless resources available if China has set a goal."

Still, learning how to build cruise ships will not be easy for the Chinese, given the complex web of suppliers needed to furnish items from luxury carpets to soundproofing, industry experts say.

Japan's Mitsubishi Heavy Industries (7011.T) quit building European cruise liners in October after its losses on two vessels for cruise operator Carnival Corp (CCL.N) topped $2 billion.

"It's a hotel on the sea, (and) requires at least a few hundred suppliers," said Lin Li, general manager at Lloyds' Register's Greater China marine and offshore business development department.

China's shift into the cruise sector also comes as global demand for cargo ships has collapsed, shuttering scores of Chinese yards.

EUROPEAN EXPERTISE

At the Shanghai Waigaoqiao Shipbuilding yard (600150.SS) at the mouth of the Yangtze River, China State Shipbuilding Corp (CSSC) has brought in European advisers, including Italian shipbuilder Fincantieri (FCT.MI), to help it learn how to compete in building cruise ships.

It has also attracted foreign suppliers such as Finland's Wartsila (WRT1V.HE) to set up local joint ventures.

"Fincantieri has brought a few hundred workers here, and CSSC has sent technical staff to England for training," said Alan Mong, a CSSC employee, during a recent media tour of the yard.

CSSC's order for two cruise ships, which will be able to carry up to 5,000 passengers, is part of a $1.5 billion deal signed in February with Carnival and Fincantieri. That deal, three years in the making, also includes an option for four more ships.

Fincantieri was encouraged to help China by Carnival, its biggest customer, which is itself pushing to develop China cruise lines, said two industry executives familiar with the local market. They asked not to be named as they didn't want to jeopardize business relationships.

They said Carnival was told by the Chinese government it could only grow in China's cruise market - projected to be the world's second largest after the United States by 2030 - by helping the domestic industry develop.

CSSC did not respond to Reuters' request for comment. China's Ministry of Commerce declined to comment, saying it was a company matter.

Carnival said it encouraged Fincantieri to participate in the shipbuilding project, but noted its own plans to launch China's first domestic cruise line with CSSC and China Investment Corp were negotiated independently. Fincantieri said it got into the Chinese market "based nothing more than on an analysis regarding the business opportunities from the great potential of the market."

DISCOUNTS

Other Chinese yards are following suit, offering discounts of up to 30 percent, and earlier delivery, to win orders from Western cruise lines.

In March, China Merchants Industry Holdings agreed a deal to build up to 10 vessels for Miami-based SunStone Ships, and Xiamen Shipbuilding Industry Co won a 194 million euro ($222 million) order from Finland's Viking Line (VIK1V.HE) in April for a 2,800-passenger cruise ferry.

"We were surprised at the number of interested yards," said Viking Line's CEO Jan Hanses, saying he received interest from six Chinese yards, including Guangzhou International Shipyard, Yantai CIMC Raffles and AVIC Weihai Shipyard.

"Competition is always good... If the European yards are left without competition they will stagnate."

European yards currently have 68 cruise ships on order up to 2025, according to data from industry publication Seatrade Cruise, comfortably ahead of other regions.

But Nathalie Durand-Prinborgne, a representative for labor union Force Ouvrière's section at shipbuilder STX France, said there are fears that French shipyards could eventually abandon the cruise market to the Chinese, as they did with LNG tankers.

Because of technology transfer concerns, she said the union opposes Fincantieri's proposed takeover of STX France, which employs 2,600 people at the western port of Saint-Nazaire.

"In allying itself with the Chinese, Fincantieri not only shot itself in the foot, but also fired into ours," she added.

And Raoul Jack, principal consultant at PFJ Maritime, an adviser to Chinese yards entering the cruise market, says it may be futile to try and stop the shift.

"Every yard is looking at the markets that are the most buoyant," he said.

2. Belt and Road Initiative injects new impetus into Guangdong

By ChinaDaily
Posted on May 26, 2017

Since China proposed the Belt and Road Initiative in 2013, traditional trade and production centers in China's Guangdong province, represented by such cities as Guangzhou and Dongguan, have seen and seized the new opportunities for further development.

Guangzhou, the capital city of Guangdong province in southern China, is a traditional business and trade center, while Dongguan was among the first regions growing rapidly after China adopted the reform and opening-up policy in late 1970s.

Facilitated by the Belt and Road Initiative, the two cities have stepped up efforts to upgrade their industrial structures, trade and business environments, and transportation facilities, to best combine their traditional advantages with new opportunities.

New industries

As a vanguard of reform and opening-up for decades, Guangzhou has been in the lead in promoting the Belt and Road Initiative, which comprises the Silk Road Economic Belt and the 21st Century Maritime Silk Road designed to build a trade and infrastructure network connecting Asia with Europe, Africa and beyond.

In recent years, Guangzhou has striven to shift its economic focus to capital- and technology-intensive industries, as enterprises here have picked up their pace to "go global".

UC Mobile Co Ltd, which is attached to China's e-commerce giant Alibaba Group, has emerged as a global provider of mobile Internet software technology and services, especially in India, Indonesia and Russia.

"Our operations are deeply localized, which means we have kept an eye on local cultures and customs. We have provided down-to-earth services," said Huang Hao, president of Alibaba's mobile business group.

Meanwhile, the 2017 THero International Innovation and Entrepreneurship Competition organized by Guangzhou's Tianhe district government is underway, with sub-contests in the United Arab Emirates (UAE), Israel, and the United States, to help the winning foreign high-tech companies solicit investment and do business in Guangzhou.

New platforms

Guangzhou has also exploited new platforms to promote trade and cooperation, besides its traditional ones such as the Canton Fair, or China Import-Export Fair, a leading platform linking overseas and Chinese traders held biannually since 1957.

The 121st Canton Fair was held from April 16 to May 5 in Guangzhou, attracting 364 companies from countries and regions along the Belt and Road, according to the organizer.

In 2014, Dongguan began hosting China Guangdong 21st Century Maritime Silk Road International Expo, a new platform promoting trade and cooperation with a theme of "Go to Guangdong for business and cooperation."

The first of such expo attracted 42 participating countries and regions, including 25 located along the Maritime Silk Road, with 451 projects inked and a fund of 174.7 billion yuan ($25.4 billion) involved.

The third Expo held in October 2016 attracted 73 countries and regions, including 52 along the Maritime Silk Road, with 700 projects signed and a fund of 206.8 billion yuan ($30 billion) involved, according to the organizer.

Two years ago, Nansha District in southeast Guangzhou became one of the pilot free trade zones (FTZs) to promote foreign trade and investment.

By 2016, the import and export volume of the Nansha FTZ reached nearly 170 billion yuan ($24.66 billion), one fifth of the total of Guangzhou.

In a bid to provide better services, Guangzhou has also set up a number of administrative service centers to simplify paperwork for doing business in the city. The Pazhou Administrative Service Branch Center, opened in March 2016, is one of them.

Pazhou, a historical venue with an ancient port linking the Maritime Silk Road some 200 years ago, is currently housing the Canton Fair.

"The center is a window to display the city's policy, economy, culture, arts and investment environment," said Jiang Wei, head of the Pazhou center.

New partners

"In recent years, with the development of the economy ... we have shared our development experience with cities along the Belt and Road," said Chen Jie, director of the Asian, African and Oceanian Affairs Division of Guangzhou Foreign Affairs Office.

"Last year, a special team was established to deal with affairs of Asia, Africa and Oceania, to facilitate cooperation between Guangzhou and cities along the Belt and Road," Chen said.

Since the launch of the Belt and Road Initiative, Guangzhou has redoubled its efforts to expand its circle of friends.

Since 2013, Guangzhou has cemented friendly ties with Rabat of Morocco, Phnom Penh of Cambodia, Incheon of South Korea, Binh Duong of Vietnam, Prague of the Czech Republic, Ahmedabad of India, Pokhara of Nepal, Lodz of Poland, Tbilisi of Georgia, Suva of Fiji, and Mombasa of Kenya, among others.

For now, Guangzhou, in which 57 countries have established consulates, is looking for friends in the Middle East and West Africa.

"The Belt and Road Initiative has injected new impetus in the economic and trade exchanges between Guangzhou and foreign cities," said Luo Zheng, director of the Comprehensive Division of the Commission of Commerce of the Guangzhou municipal government.

New traffic hubs

Guangzhou, also a key point linking China with countries and regions along the 21st Century Maritime Silk Road, has been upgrading its transport capacity.

China Southern Airlines, based in Guangzhou, is a leading carrier in China with a fleet of more than 700 passenger and cargo aircraft, ranking No 1 in Asia and No 4 in the world, said Qu Guangji, a management official of the airline.

As of April 2017, it reached destinations in 68 cities of 38 countries and regions along the Belt and Road, Qu told Xinhua recently at a symposium.

The airlines also plans to open new flight routes from Guangzhou to destinations along the Belt and Road, such as Johannesburg, Tehran and Islamabad.

Guangzhou Baiyun International Airport, with an ambition to become a world-class air transport hub, has launched flights to 87 destinations overseas, including 52 in 27 countries and regions along the Belt and Road, according to the airport.

In August, 2016, Guangzhou launched its first weekly cargo train to Europe as a new way to import and export goods. Meanwhile, by collecting goods by train form Chinese inland and then transferring them by sea, Guangzhou has also become a major port shipping goods to international destinations.

Dongguan has similar plans to transform its transport facilities.

Situated some 60 km southeast to Guangzhou at the mouth of the Pearl River, the city is seeking to become a key traffic hub to link the Silk Road Economic Belt and the 21st Century Maritime Silk Road, by combining its two major advantages, namely huge production capacity and perfect geographic location both by land and by sea.

"Dongguan has been actively taking part in the building of an international logistics channel to become a major traffic hub," Lei Huiming, deputy consultant of the Bureau of Commerce of Dongguan City, told Xinhua in a recent interview.

Guangdong Railway International Logistics Base in Shilong, Dongguan, which was inaugurated in July, 2015, is the only National First Class Railway Freight Port in Guangdong.

Shilong in Dongguan is an ideal place to link the Belt and the Road, Xie Yi, general manager of the Marketing and Sales Department, Sinotrans Guangdong Co LTD, told Xinhua.

"Shilong has the advantage to combine several ways of transportation, including road, train, river and sea, due to its perfect location, which makes Guangdong a key point linking the Belt and the Road," said Xie.

3. From defense to civil, biz sectors

By ChinaDaily
Posted on July 17, 2017

State-owned China State Shipbuilding Corp is going beyond building navy vessels and making advanced scientific research ships. For long, it was the largest supplier of surface combatants to the Chinese Navy.

All of the Navy's Type 052D class guided-missile destroyers and Type 054A guided-missile frigates, the most powerful of their kind, were manufactured by the Beijing-headquartered CSSC. In late June, it launched the nation's largest and mightiest destroyer, the first in the Type 055 class, at its Jiangnan Shipyard in Shanghai.

Encouraged by government measures to boost transfer of defense-related technologies to civilian and business sectors, CSSC has been using its expertise in the research and development of naval hardware to construct high-tech civilian ships, said company officials.

The company is currently making a polar research icebreaker - the first to be built from the keel up by China - at the Jiangnan Shipyard, and the country's first marine resources survey ship at the Huangpu Wenchong Shipbuilding Co in Guangzhou, Guangdong province.

Both ships will have the top technological and operational capacity of their kind in the world. They are scheduled to be completed and commissioned by the State Oceanic Administration in 2019, the company said.

The polar research icebreaker will be about 123 meters long and 22 m wide, with a displacement of nearly 14,000 metric tons. Carrying up to 90 crew members and researchers, it is designed to be able to travel 20,000 nautical miles or 37,000 kilometers on each journey, according to CSSC.

It is expected to team up with research icebreaker Xuelong, now China's only icebreaker used for polar expeditions.

"The new ship will improve the nation's capabilities in supporting polar expeditions and surveying the polar marine environment," said Yang Huigen, head of the Polar Research Institute of China.

The marine resources survey ship will be 98 meters long and 17 m wide and will have a displacement of 4,000 tons. It will be driven by an advanced electric propulsion system.

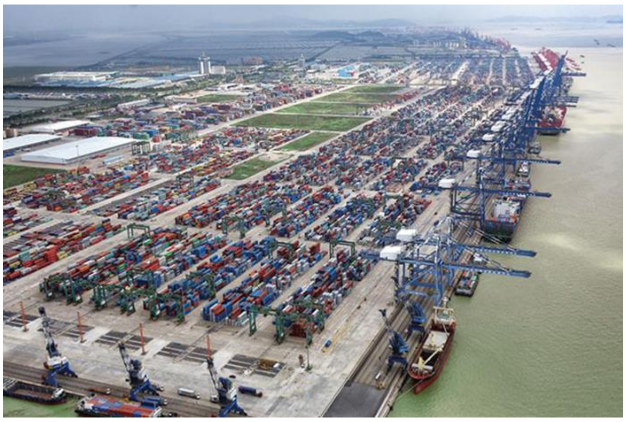
The new vessel is expected to carry more than 70 kinds of scientific research equipment, and is capable of conducting high-accuracy, long-term survey in a wide range of fields such as marine geology, marine ecology and ocean-atmosphere system.

The ship will be able to travel at least 6,000 nautical miles or 11,110 kilometers in a single journey, according to CSSC.

Over the past year, CSSC has delivered the nation's most advanced space-tracking ship, the 30,000-ton Yuanwang-7, and the world's largest maritime surveillance ship, the 10,000-ton Coast Guard 3901.

4. Guangzhou dredging sign of stronger Pearl River competition

By JOC
Posted on October 3, 2016



The Nansha container terminals, pictured, will be more accessible after the Guangzhou Port Group completes dredging works.

A major dredging project at the port of Guangzhou signals its intentions to capture Pearl River Delta cargo currently traveling to other competitors in the region, which is home to some of the world's busiest harbors.

The project to widen the stretch of water linking its container terminals at Nansha to the main east-west shipping lanes will enable larger vessels to travel the channel in both directions at the same time, cutting around three hours from the time it takes container ships to reach Nansha.

The $415 million project to widen the Guangzhou Port Channel to 345 meters (1,131 feet) is one of a series of major infrastructure and facilities upgrades taking place at Nansha as the Guangzhou Port Group gears up for a planned public stock listing after it receives approval from the China Securities Regulatory Commission. Funds from the listing, which could take place as early as the first quarter of next year, will be used to accelerate the development and optimization of port infrastructure and further increase the competitiveness of the port.

Guangzhou is currently the fastest-growing container port in southern China. Year-to-date throughput stood at 11.8 million twenty-foot-equivalent units at the end of August, up nearly 5.5 percent on the first eight months of 2015 and well ahead of the average throughput growth of 2.4 percent at China's top eight container ports over the period.

August throughput grew 7.5 percent year-over-year to 1.57 million TEUs although volumes at the other main Pearl River Delta ports of Shenzhen and Hong Kong fell by 2.2 percent and 2.9 percent, respectively, according to the latest figures from the Shanghai Shipping Exchange and the Hong Kong Maritime and Port Board.

Foreign trade-related container throughput at the Nansha terminals grew by 5.9 percent to 2.31 million TEUs in the first half of the year, according to the Guangzhou Port Group.

The Guangzhou government has allocated some $45 million in cash and tax incentives to attract new liner services and increase container volumes over the coming two years. This is on top of $6.7 million already given out over the past year.

The third phase of Nansha International Container Terminals, which will take capacity to over 6 million TEUs, is set for completion by the end of November. An advanced refrigerated warehouse is being constructed as part of the new development.

The port is also upgrading hinterland links as it seeks to build on the advantage of its proximity to multiple cargo sources in the PRD. A new on-dock rail project valued at $1.64 billion is underway and expected to be complete by 2019, and container trucking companies are welcoming the waiving of a $6 per trip toll on a key access road to Nansha.

The government estimates trucking costs for a 40-foot-equivalent unit from key PRD production centers of Zhongshan, Zhuhai, Guangzhou, Foshan, Shunde, Nanhai, Panyu, Jiangmen, and Zhaoqing to Nansha is now between $54 and $169 less than to the competing Yantian terminals in Shenzhen.

Beyond containers, Guangzhou port is focusing on consolidating its position as the largest grain terminal in South China and as the country's third-largest automotive shipping hub after Shanghai and Tianjin.

The port group in August signed a deal with SAIC Motor to jointly develop Haijia Automobile RoRo (roll-on, roll-off) Terminal as part of an international automobile logistics park in the new Nansha Free Trade Zone.

The terminal will have two ro-ro berths with a total designed handling capacity of 620,000 vehicles upon completion by the end of 2017.

The new terminal will be operated together with three existing auto ro-ro berths at Nanshan Port, which will offer a total automobile handling capacity of 1.8 million vehicles each year.

5. It's full speed ahead for the cruise ship business in China

By ChinaDaily
Posted on March 2, 2017

The US cruise ship industry, which is seeing a booming business from Chinese passengers, will for the first time build ocean liners in China.

Carnival Corp, based in Miami, announced last week at a grand ceremony in Beijing attended by President Xi Jinping, that its cruise joint venture in China - formed with the China State Shipbuilding

Corp - will order two new cruise ships, with an option for four more. Fincantieri of Italy is also a participant in the shipbuilding partnership.

In support of China's efforts to prioritize cruise industry growth in its five-year economic development plan, a memorandum of agreement (MOA) was signed at the Great Hall of the People in Beijing, attended by Xi and Italian President Sergio Mattarella.

Carnival will operate and manage all cruise ships owned by the cruise joint venture, which was rolled out in 2015, as part of its plans to launch the first multi-ship cruise brand in China.

The two ships, representing an investment of about $1.5 billion, would be constructed at the Shanghai Waigaoqiao Shipbuilding Co shipyard, a CSSC subsidiary. The first vessel is expected to be completed by 2023.

"We are proud to order the first China-built cruise ships and play a meaningful role in developing cruise shipbuilding capabilities for the first time in China," said Arnold Donald, Carnival CEO, adding that the agreement "demonstrates our commitment to contributing to China become a leading cruise market as part of its five-year economic development plan".

"CSSC is working closely with international partners like Carnival and Fincantieri to build the first cruise ships in China, which will significantly advance the rapid, sustainable and healthy development of the Chinese cruise industry," said Wu Qiang, CSSC president. "Global economic integration is still an irresistible trend. Our close partnership with Carnival and Fincantieri will let more people enjoy the benefits of globalization and live a better life."

Wu said at a cruise industry conference in China last year that 15 new liners a year are needed to keep up with global demand, and that China wanted to help meet it. CSSC's entry into the industry's construction segment is backed by an industrial fund set up last year by five leading Chinese banks, according to The Wall Street Journal.

While the new ships are being built, Carnival will launch a cruise brand in China using ships from Carnival's existing fleet.

Carnival's Princess Cruises brand will deploy the 3,560-passenger Majestic Princess to Shanghai for Asia cruises, beginning in July. The vessel is the newest ship and the first to be built and designed specifically for Chinese travelers.

China was the world's fastest-growing major market for cruise-takers in 2014 and 2015, according to a study last year by the Cruise Lines International Association in Washington.

According to China's Ministry of Transport, the country's cruise market will grow to 4.5 million passengers by 2020 - it was 1 million in 2015.

By 2030, China will be the world's second-largest cruise market after the US, Reuters reported.

A report by AX Investment Research on the seekingalpha.com investment website said "Carnival's largest problem with penetrating the Chinese market by themselves was a cultural difference. Trying to enter the China market as a Western company without enough knowledge of business practices or connections to a strong network in China led nowhere.

"More recently things are starting to turn around. Carnival now has a small share of a much larger pie than a small pie to themselves."

The End

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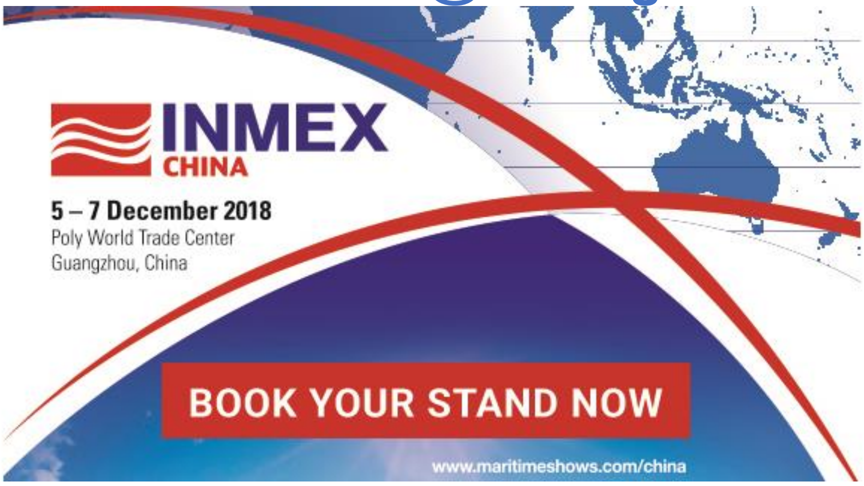

INMEX China is the largest and most established international maritime event in the South China Sea region. The 8th edition of the exhibition will feature a greater range of cutting-edge marine technologies and equipment presented by both local and international exhibitors. The biennial maritime exhibition is the ideal platform for the maritime community in Asia.

EXHIBITORS' PROFILE

Architects, Designers & Consultancy	Fuel & Lubrication Suppliers	Processing & Packing Equipment Suppliers
Agents, Distributors & Insurance Companies	Heavy Lift Vessel	Refrigeration & Freezing Equipment
Bankers & Finances	Instruments & Control	Rope Manufacturers
Classification Societies	Interior Suppliers	Safety/Rescue & Survival/Security Equipment
Cabling	Marine Engineering & Equipment	Semi Submersibles
Cargo Handling Systems	Maritime Institutions	Ships, Boats, Vessel Equipment & Services
Data Acquisition, Storage and Transmission	Maritime Publications	Shipbuilding
Design & Construction	Marine Supply Logistics	Ship Operations & Management
Dredging Equipment	Maritime Services	Ship Registry
Drilling & Well Control	Monitoring & Instrumentation	Ship Inspection & Survey
Electronics / Electrical Engineering	Navigation & Communication Technology	Ship Repair & Conversion
Environment Protection & Pollution Control	Offshore Engineering	Sub-sea Design & Technology
Freight Forwarding Equipment, Accessories & Storage	Paint & Coatings	Support & Support Vessels
Fire, Safety & Survival Equipment	Ports, Ports Equipment & Port Technology	
Flow Control	Propulsion Systems/Pumps & Valves	

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