The shipbuilding industry is one of Korea’s strategic industries, contributing significantly to the economic performance of the nation and providing a firm foundation for its leadership in the world’s shipbuilding industry. Korea meets almost half of the world’s shipbuilding requirements. This astounding achievement is even more impressive coming from a country that experienced poverty and starvation in the 1950s after the Korean War. The Korean shipbuilding industry seeks to share its experiences with developing countries in promoting their shipbuilding industries.

KEY WORDS: Shipbuilding, Korean shipbuilding industry, export-oriented industrialization, Special Maritime Administration Committee, Korean shipbuilding industry competitiveness.

INTRODUCTION

Since its evolution in the European region, the shipbuilding industry has now come of age. True to its nature, the industry has been cyclic, with many crests and troughs since the 1960s. Five major cyclic changes occurred as the dominance within the industry shifted from the European markets to low-cost Asian destinations such as Korea, Japan and China. The industry is primarily characterized by its presence in almost all the regions of the world engaged in shipbuilding activities. Its other prominent features are high labor intensity and huge working-capital requirements due to the high gestation period.

The purpose of this presentation is to provide the background of the Korean shipbuilding industry’s growth and development so that developing countries can benchmark the Korean-style development model as a testimony of success that can inspire them in promoting their own shipbuilding industry. This development model is a product of the well-orchestrated efforts of the Korean government, entrepreneurs and engineers.

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Considering the advantageous geographical location of Korea, its government designated the shipbuilding industry as the nation’s top strategic industry for its postwar rehabilitation. Developing the right strategic industries is very important in building the foundation of national economic development, particularly for developing countries.

CURRENT STATUS OF WORLD SHIPBUILDING INDUSTRY

The global shipbuilding industry, which had enjoyed a boom from 2003 to 2007, abruptly entered a downward phase in 2008: New orders received plunged by more than 40% due to the correction of the global economy and there was an end to most replacement orders in 2007. In contrast, during the boom, countries such as Korea and China had seen an upsurge in the construction of shipbuilding facilities. As a result, an oversupply is expected until 2011, and the price for new ships will continue to drop, at least for a while.

Reflecting such circumstances, the Clarkson Index, a measure of price levels for newly built ships, fell by 12.2%, from its all-time high of 190 in July 2008 to 167 in January 2009. By ship type, prices for bulk carriers and container ships fell by 13.4% and 9.5% year-on-year, respectively; both led the price drop. Hit by the current industry lull, major shipbuilders around the world are dealing with a series of unfavorable conditions, such as fewer new orders and cancellations of existing ones.

When shipbuilders face hardships, the shipbuilding industry needs to be nurtured with continuous technological innovation and control over costs, so as to maintain efficiency and prolonged growth.

EMERGENCE OF KOREAN SHIPBUILDING INDUSTRY

In the 1960s Korea was a desperate and poor country, due to the Korean War and to social unrest such as the student movement and the 1961 military revolution. However, the Korean national income as a whole grew at an average annual rate of 7.9% from 1963 to 1995, and Korea became a member of OECD in 1998.

After President Park Chung Hee came to power in 1961, he kicked off Korea’s industrialization process. In 1962, his administration established the Five-Year Economic Development Plan; under the strong leadership of President Park, this plan continued into the 1980s. The Korean military government also came to realize the importance of

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Korean Shipbuilding Industry Growth and Its Future Challenges