

## Shipbuilding one year on: China's lead endures as Washington turns to allies

The maritime dispute between Washington and Beijing has evolved broadly as we anticipated *in our June 2025 special report* and remains largely unresolved. The USTR's Section 301 docking fees took effect on 14 October 2025, while Beijing retaliated instantly, and the two sides agreed at the Xi-Trump summit in Busan to suspend the measures for one year. President Trump's state visit to Beijing last month left this arrangement intact but did not extend or institutionalise it, leaving the suspension set to expire on 10 November 2026, with no successor framework currently in place.

On the order book, the widely reported narrative of a decline in China's market share requires careful examination. The headline share did swing sharply, falling from around three quarters of new orders in 2024 to a trough in mid-2025, before recovering to around 63% for the whole year and close to 70% in Q1 2026. We believe the dominant driver was a cyclical contraction in global ordering concentrated in segments where China is strongest, rather than a structural shift driven by Washington's threatened sanctions. China's shipyards continue to hold close to 70% of the global orderbook by tonnage so far in 2026, and we maintain our core view that this lead will persist. The principal near-term risk remains geopolitics rather than demand, while the longer-term challenge is an inevitable softer phase following the current upswing.

### The swing in orders reflects primarily the cycle and less the policy

The most widely cited statistic of the past year, namely that China's share of new shipbuilding orders has roughly halved, requires a closer look. On a Clarksons Research compensated-gross-tonnage basis, the share fell from around  $\frac{3}{4}$  in 2024 to a trough in mid-2025, when South Korea briefly led monthly ordering, before recovering to around 63% for the year. China's Ministry of Industry and Information Technology (MIIT) reports a higher 69% on a deadweight basis, which structurally flatters China, given its order mix. The early data for 2026 reinforce rather than undermine this trajectory, with China taking around 70% of global orders by compensated gross tonnage (CGT) in Q1, even as total global contracting rose by some 40% y-o-y. We read this V-shaped profile (*Figure 1*) as the product of three forces of differing weight and persistence.

### Policy-driven diversion was real but is partly temporary

Between the April and October 2025 fee schedule (the window between the initial USTR announcement and its actual implementation), owners facing an uncertain charge structure had a rational incentive to steer orders linked to US trade lanes away from the "China-built" designation, and the major liner alliances reconfigured their rotations to limit Chinese-built calls at American ports. We believe this behaviour accounts for much of South Korea's surge in H1 2025, but it represents a hedge against policy uncertainty rather than a durable reallocation of demand.

### The cyclical mismatch carries heavy weight and is routinely overlooked

Global ordering fell sharply in 2025 (down 27% by CGT, according to *Clarksons*), and the contraction was concentrated in tankers and bulkers, which are precisely the segments in which China has the largest share (*Figure 2*). In the first ten months of the year, product-tanker orders fell by close to 85% y-o-y, while crude-tanker orders declined by around 31% (Source: *CSSC & Clarksons Research*), and the only major segment to grow over the full year, containerhips, is likewise one that China has a stranglehold. Much of the apparent quarterly share loss was therefore a statistical artefact of a shrinking and unfavourably weighted denominator, which in our view is the single most underappreciated feature of the 2025 data (*Figure 3*). China's exports of ships also recorded a historical high in 2025 (*Figure 4*).

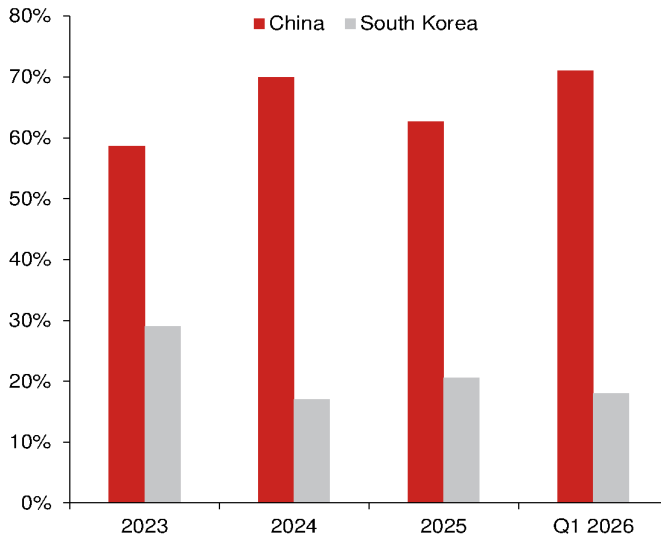
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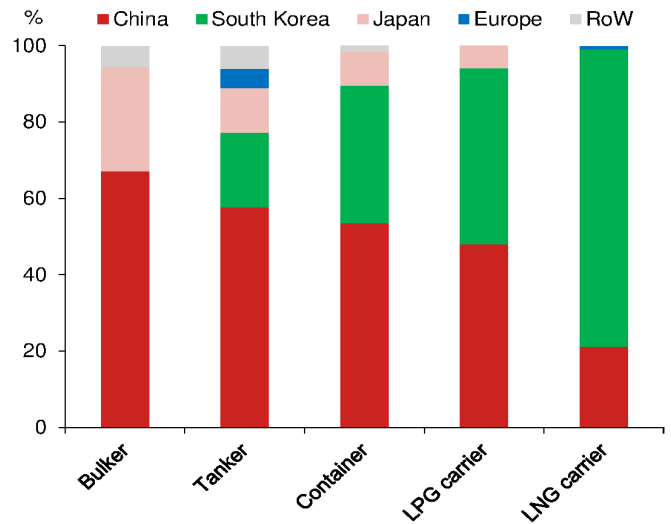
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**Fig. 1: Shares of China and South Korea in global ship orderings by compensated gross tonnage**



Source: Clarksons, Nomura Global Economics

**Fig. 2: Shipbuilding orders in major categories**

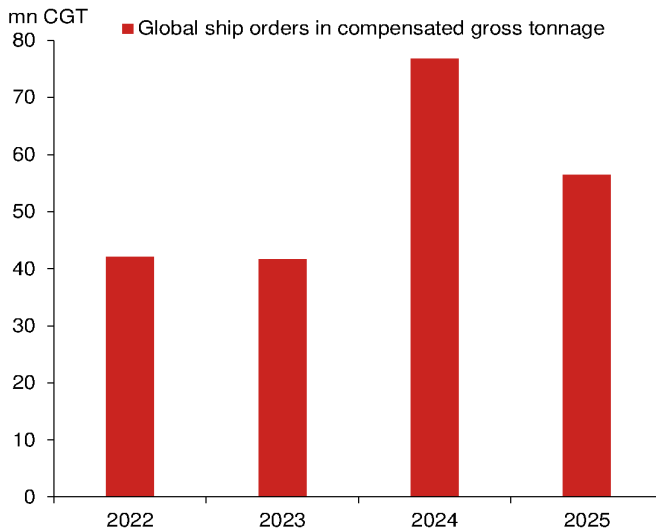


Source: Wind, Nomura Global Economics

**The post-truce unwinding drove the recovery**

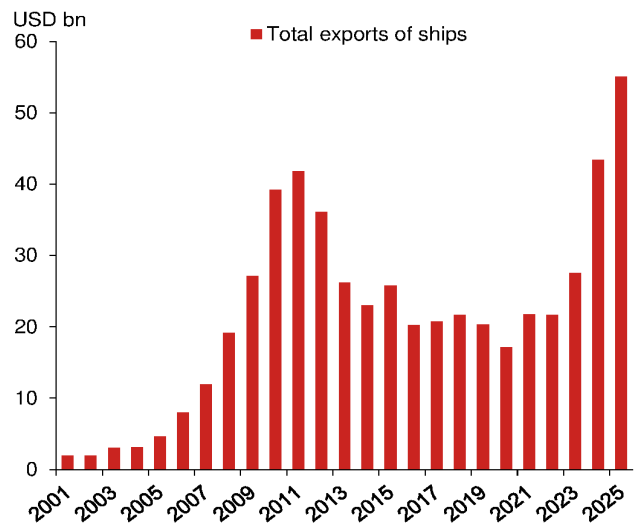
Once the Trump-Xi Busan understanding established a twelve-month buffer, the incentive to avoid Chinese yards faded and China's share climbed through the closing months of 2025 and into 2026. We regard this as the clearest evidence that the earlier dip was contingent on sentiment and the order mix rather than reflecting a permanent loss of competitiveness.

**Fig. 3: Global ship orders fell in 2025 from the historical high in 2024**



Source: Clarksons, Nomura Global Economics

**Fig. 4: China's exports of ships made a historical high in 2025**



Source: General Administration of Customs, Nomura Global Economics

**Beijing's deepening commitment towards green shipbuilding**

Green-fuel-capable vessels – spanning LNG, methanol, LPG, ethane-based and electric propulsion – accounted for 80.2% of China's new international shipbuilding orders in Q1 2026, according to the MIIT, representing an increasingly successful hedge into the high-value segments where China has historically lagged. China's position within this transition is anchored by a series of milestone deliveries in Q1 2026, including the 15,000-TEU methanol dual-fuel "Kun" series containership and the 174,000 cubic-metre "Tianshan" LNG carrier. As the global fleet transitions toward alternative fuels under the IMO's

greenhouse gas framework and the EU's FuelEU Maritime regulation, China's early and aggressive positioning means that its structural share could even rise as a natural consequence of the energy transition, independent of policy or cyclical factors.

### **The Strait of Hormuz and the Q1 2026 tanker surge**

The closure of the Strait of Hormuz generated a powerful demand pulse in tanker ordering. The transmission mechanism operates through tonne-miles rather than cargo volumes. As Gulf crude is re-routed via longer alternative paths, each vessel is occupied for more days per voyage, while dozens of tankers trapped inside the strait are physically removed from the trading fleet. The combination of a structurally constrained fleet, a rough doubling of some freight rates from year-earlier levels, and the expectation that a prolonged inventory replenishment cycle will sustain elevated demand, even after the strait reopens, created a compelling case for new orders, particularly given ~20% of the crude tanker fleet is over 20 years old. BIMCO and Clarksons data show that tanker orders tripled year-on-year in Q1 2026, with tankers accounting for 32% of total contracts, the highest proportion since Q2 2017. IIIT data show China captured this surge disproportionately, with its yards taking over 90% of new VLCC orders.

### **Japan's continued decline in commercial shipbuilding**

Compared with China's advancement and South Korea's steady position, Japan's marginalisation in commercial shipbuilding has accelerated over the past year. According to BIMCO and Clarksons data, Japanese yards captured approximately 1% of global newbuilding contracting in Q1 2026, the lowest share since at least 1996, driven by capacity constraints and uncompetitive lead times. Japan's new export orders fell a further 15% in FY2025, marking a fourth consecutive annual decline, with the Japan Ship Exporters' Association attributing the weakness to a persistent labour shortage (Source: *Nikkei*). Tokyo has responded by designating shipbuilding a strategic sector and targeting a doubling of annual capacity by 2035, backed by roughly JPY1trn in planned public and private investment. In our view, the implication for Washington's allied-yards strategy could be significant here: if Japan cannot contribute meaningfully to commercial shipbuilding, then the allied pillar rests almost entirely on Korean capacity.

### **We expect structural dominance to endure as the cycle turns up**

The unfolding data are consistent with the central view from *our June 2025 report*, that Washington's actions would impose costs at the margin without derailing China's trajectory. Beijing's moat remains intact, as China's yards hold around 64% of the global orderbook, and China has secured around 62% of orders for green-fuel-capable vessels. Our base case, to which we attach a probability of 2/3, is that the "Busan truce" will be eventually rolled over or softened around the autumn when President Xi is scheduled to pay a reciprocal state visit to Washington DC, since neither side derives much benefit from what has proven to be a high-cost and low-yield fight. The more gradual challenge lies not in the current cycle but in the cyclical nature of newbuilding demand itself, since the present strength in ordering will, in time, give way to a softer phase; this is a statement about cycle position rather than China's competitive standing, which we expect to hold.

As for the rebound itself, we think two forces carry roughly equal weight: 1) the reassertion of China's structural and segment-mix advantage, as the recovery has been led by renewed tanker and bulker ordering, which are precisely the segments where China's share had previously declined; and 2) a reduction in precautionary avoidance of China-built ships and geopolitical risks, as owners increasingly regard the Beijing-Washington détente as relatively durable, as the Trump state visit and the expectation of Xi's reciprocal visit have lent the truce a credibility it lacked through the uncertainty of 2025. We would caution against attributing the swings to either single channel alone.

### **The American revival increasingly relies on allies and their shipyards**

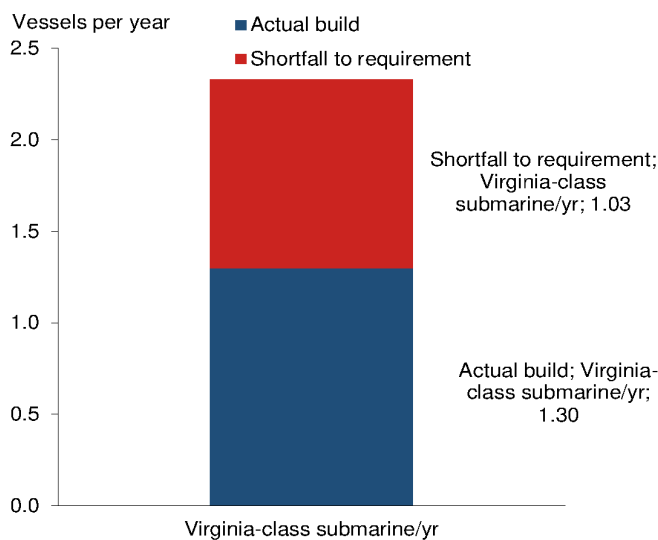
While China's competitive position has strengthened, Washington has not been idle, and the pillar of the White House's strategy that has advanced fastest is not domestic self-sufficiency over the past year but the relocation of allied capital and expertise into US shipyards, which we read as an implicit acknowledgement that the country cannot rebuild capacity on its own. South Korea is the clear leader in this respect. As part of its July 2025 trade agreement, Seoul committed a USD150bn package to support shipbuilding in the US under the banner of "Make American Shipbuilding Great Again (MASGA)", and this commitment was tied directly to a reduction in its US tariffs. We think the structural detail matters a great deal: the package is constructed predominantly from government-backed guarantees and loans, with the US retaining project-selection authority, a design that secures allied financing while concentrating control on the American side.

The flagship project is Hanwha's planned investment of around USD5bn to expand the Philadelphia shipyard towards twenty vessels a year, and substantive contracts have begun to materialise. In early 2026, Hanwha won a subcontract for concept-design work on the Navy's Next-Generation Logistics Ship, and President Trump also signalled that the Navy could partner with Hanwha on a new frigate class. HD Hyundai and Samsung Heavy Industries are also participating in the MASGA framework. We would note that the programme has proceeded despite Beijing's previously announced but now-suspended sanctions on Hanwha's US subsidiaries, an early read on both the limits of Beijing's tolerance and the resilience of the arrangement. As discussed above, Japan remains a step behind, with its contribution still concentrated in naval maintenance and repair without a shipbuilding investment framework of comparable scale.

**The submarine constraint frames the entire allied strategy**

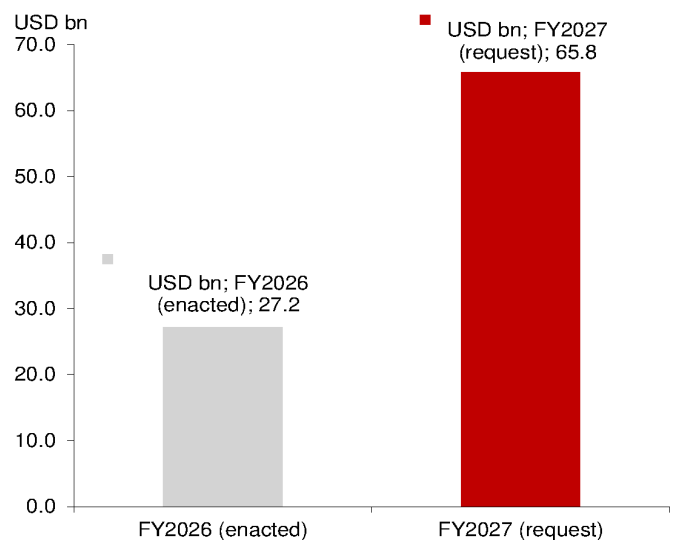
In our view, the reliance on allied yards is ultimately a symptom of a binding capacity constraint, and nowhere is that constraint clearer than in submarines, which is an area where the US still holds a clear and enduring advantage over the PLA Navy. Following its review, the administration reaffirmed the first pillar of AUKUS, preserving the sale of three Virginia-class attack submarines to Australia from the early 2030s. The June 2026 Shangri-La trilateral announcement revised the composition to three in-service hulls rather than the original mix of new and pre-owned submarines. The industrial arithmetic is unforgiving: the base must reach 2.33 attack boats per year to sustain both the US fleet and the Australian transfers, whereas the current rate is around 1.2-1.3 according to the Congressional Research Service (Figure 5). With Virginia-class construction, the Columbia programme (ballistic missile submarines), the commercial revival and the AUKUS commitments all competing for the same scarce docks, supply chains and skilled workers, we think the dependence on Korean and Japanese capacity reflects a hard constraint rather than a policy preference, and that this is precisely why the allied route has advanced more quickly than domestic rebuilding.

**Fig. 5: US attack-submarine output falls short of the AUKUS requirement (ships per year)**



Note: The attack-submarine is Virginia-class nuclear-powered attack submarines.  
Source: US Congressional Research Service, Nomura Global Economics

**Fig. 6: US Navy shipbuilding: FY2027 request more than doubles FY2026 (+USD38.6bn, +142%)**



Source: US Department of the Navy, Nomura Global Economics

**A leadership change exposes an unresolved strategy**

The abrupt dismissal of Navy Secretary John Phelan on 22 April 2026 exposed an unresolved tension at the heart of the revival agenda. The proximate trigger may be Phelan's public suggestion that the Navy should consider building warships in allied yards abroad to ease the domestic labour shortage, which seemingly crossed Trump's "built in America" line. The distinction that matters is where the ships are built, not primarily who builds them: it is one thing to welcome foreign capital into US yards, as the Korean investment programme does, and quite another to construct American warships overseas. Acting Navy Secretary Hung Cao has since recast the foreign role in deliberately narrower terms, endorsing a model under which allied partners build only non-sensitive modules



**Fig. 8: The Ministry of Transport's fee schedule for US-linked vessels**

Now suspended under the Busan agreement until 10 November 2026

Effective date	US-related vessels*
	RMB per net tonne
14-Oct-2025	400
17-Apr-2026	640
17-Apr-2027	880
17-Apr-2028	1,120

Note: The special port dues apply to vessels engaged in international maritime transport and calling at Chinese ports where any of the following conditions is met: (i) the vessel is owned by a US enterprise, other organisation or individual; (ii) the vessel is operated by a US enterprise, other organisation or individual; (iii) the vessel is owned or operated by an enterprise or other organisation in which US enterprises, other organisations or individuals directly or indirectly hold at least 25% of the equity interests, voting rights or board seats; (iv) the vessel flies the US flag; or (v) the vessel was built in the US. Chinese-built vessels falling within categories (i) to (iv) are exempt.

Empty vessels calling solely for repair at a Chinese shipyard, as well as other vessels granted exemptions by the relevant authorities, are also exempt. The dues are assessed on a per-voyage basis, with fractions of one net tonne rounded up to one net tonne.

Where a vessel calls at more than one Chinese port during the same voyage, the dues are payable only at the first Chinese port of call. The dues are charged for no more than five voyages per vessel during each annual charging cycle, which begins on 17 April.

The scope, rates and implementation period may be adjusted as circumstances require. Implementation was suspended for one year from 13:01 on 10 November 2025.

Source: Ministry of Transport, Nomura Global Economics

# Appendix A-1

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