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China ambitions in cruise sets their agenda for full value chain – a potentially lucrative opportunity awaits

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Reddal was invited as a speaker to the Finnish Marine Industries Association (Meriteollisuus ry) international business session. We presented an update on the cruise ecosystem development in China, including views on cruise tourism, cruise ship building, and short- to mid-term opportunities.

Although the Covid-19 pandemic has hit the market hard during the past 2 years, cruises are restarting in China with initial demand on domestic routes. Positively the cruise calendar is quite booked already, which convinces us of recovery of the overall market. China has its own agenda, especially with the changing view of globalization; the aim is to establish a domestic cruise ecosystem for increased value capture within the country. On the side, China is also investing heavily in the development of port services. All this requires heavy financing; key financiers are policy lenders where financial performance is not a KPI. Also, foreign cruise operators are forming joint ventures with state-owned companies for licenses to operate on domestic routes. When it comes to cruise ship construction, serious delays are not an option. Thus, program plans mean strong commitment, accountability, and clear roles. In the long run, China's role as a player in the cruise industry and a provider of port services remains to be seen.

As background information to why we are discussing the marine industry and its global development, Reddal identified 4 different scenarios in 2035 for the Ministry of Economic Affairs and Employment of Finland during 2021. The scenarios are constructed so that each of them are equally likely to happen. In short- to mid-term, emergence and growth

imperatives of China’s domestic value chain provide a potentially lucrative opportunity for e.g. international component and TK-suppliers, marine engineering companies, and software providers. Technology transfer, IPR infringement, and political risks remain key challenges when entering the market.

For more details on our recent findings on the domestic cruise industry upturn in China and port services development, please take a look at our presentation “China ambitions in cruise sets their agenda for full value chain – a potentially lucrative opportunity awaits”.