

Welcome Speech
at the 7th ASEF (November 7, 2013)

My name's Shigeru Murayama, and I'm the Vice Chairman of the Shipbuilders' Association of Japan (SAJ). I also serve as the President of Kawasaki Heavy Industries, Ltd. On behalf of the Japanese shipbuilding industry, I'd like to say a few words on the occasion of the 7th Asian Shipbuilding Experts' Forum (ASEF).

It's a great pleasure to welcome to Kobe so many experts involved in shipbuilding in Asia as well as representatives from the Association of Asian Classification Societies (ACS) and the Asian Shipowners' Forum (ASF).

Since the inaugural session in 2007, ASEF meetings have grown in stature thanks to the input of everybody involved, and more people outside ASEF have become aware of them. As you know, the main ASEF members – Japan, South Korea and China – take turns hosting this annual meeting. This 7th ASEF session is the third to be hosted by Japan following one in Tokyo six years ago and another in Kyoto three years ago, and marks the start of the third round of rotation.

Even with the Kobe Meriken Park Oriental Hotel's convenient location near the city center, a lot of us might feel like we're on board a luxury cruise ship waiting for a new voyage here because the building has sea on three sides. I believe this is the ideal environment in which to carry on the history and tradition of ASEF and to prepare for our journey toward a new future.

In the 12th century, samurai warrior Taira no Kiyomori renovated and enhanced the Port of Kobe, which thrived as a base for trade with China's Song and Ming dynasties. The port supported Japan's modernization, as demonstrated by its world-record container handling capacity in the 1970s during Japan's period of rapid post-war economic growth.

Amid this prosperity, Kobe was struck by a major earthquake early on January 17, 1995, as you may recall. This resulted in massive loss of life and heavy damage to the city's infrastructure. Eighteen years later, tightly packed wooden houses have been replaced with fire-resistant high-rise apartment buildings and parks, and the city's port, railroads,

roads and other infrastructure elements have been repaired or rebuilt. Indeed, Kobe is now a better place than it was before the disaster, as manifested by the opening of a new airport on an artificial island off the Port of Kobe and other developments. Signs of the devastation brought by the disaster are mostly gone today, but part of a pier destroyed in the quake is preserved at the nearby Port of Kobe Earthquake Memorial Park. If you haven't been to the park, I recommend you take a walk there while you're here.

Kobe has thrived in tandem with the port's development. Industries involved in maritime affairs have been especially prosperous, and the city is home to a number of shipyards and ship machinery manufacturers. The Kobe Shipyard run by Kawasaki Heavy Industries, where I serve as President, is quite near this hotel. It's rare to find a shipyard in Japan so near a city center. Not far away from it is the Kobe Shipyard run by Mitsubishi Heavy Industries, Ltd. If you'd like to learn more about the links between the port and the city or industry, the Kobe Maritime Museum is the place to go. It has a section called the Kawasaki Good Times World, which showcases innovative Kawasaki Heavy Industries products for land, sea and air, high-performance robots and other interesting exhibits.

The Kobe Maritime Museum is only a few minutes' walk from the hotel on the way to the Port of Kobe Earthquake Memorial Park, and is easy to find because of its unique appearance. I hope you find time to go there.

Turning to current trends in shipbuilding, it's clear that the maritime industry – not only shipbuilding but also shipping and ship machinery manufacture – is facing harsh economic times.

Due to the global economic downturn, it doesn't look like we'll see a significant increase in the volume of sea-borne cargo movement like we did in the early 2000s. However, there's no doubt that the volume of trade will increase steadily against today's background of ongoing economic globalization.

Despite the increasing demand for cargo logistics services, the issue of new ship supply exceeding demand has created imbalance in the shipping market, resulting in low ocean freight rates over an extended period of time. These stagnant rates along with soaring bunker oil prices have placed ship owners in a difficult situation. As a result, demand for shipbuilding services remains sluggish.

Meanwhile, growing interest in global environmental issues requires a response from the maritime industry, and the International Maritime Organization (IMO) has tightened its regulations to reduce emissions of GHGs and other air pollutants from ships. Despite today's difficulties in the shipping market, demand from ship owners for vessels that meet environmental regulations is high because environmentally friendly, fuel-efficient ships are appealing in today's environment of soaring bunker oil prices.

A look at the items on the agenda for the 7th ASEF shows keen interest in response to tougher environmental and safety regulations. I believe the future development of the shipbuilding industry rests on whether it can come up with ideas to capitalize on these stricter regulations and to assert its position with ship owners and rule-making authorities.

In this context, the 7th ASEF provides valuable opportunities for Asian shipbuilders to openly discuss common technical problems and to promote mutual understanding.

Asia today has greater growth potential than any other region in the world, with market shares increasing every year in a variety of industrial fields. Although the continent already accounts for more than 90% of the global shipbuilding market, Asian shipbuilders still have relatively little influence.

To ensure the development of reasonable regulations, it's important to convey the opinions of shipbuilding experts in Asia as the center of the shipbuilding industry to people worldwide in maritime circles. In this context, ASEF members must make every effort to speak with one voice.

As I mentioned earlier, Kobe thrived on trade with China and other Asian countries from the 12th century onward, and has done a remarkable job of rebuilding itself from the devastating damage of the 1995 earthquake. Although the current business environment for shipbuilders is quite tough, I believe that sustainable development of the industry can be achieved by seeing today's stricter environmental regulations as an opportunity to foster even greater development, and by promoting efforts for mutual support and collaboration among Asian maritime operators. I'm confident that we can open up new horizons if we follow the example of the Kobe spirit of never giving up based on knowledge gained through international exchange.

Successful business operation requires hard work on technological development and

opportunities like ASEF meetings to communicate with the parties concerned. Even though the meeting lasts for only two days, it provides a great platform for attendees to get reliable updates on the industry from experts. As we get to know one another more, we can also further enrich our collaborative relationships.

Lastly, I look forward to seeing you all at today's post-session welcome dinner on board a restaurant ship in the Port of Kobe. I hope you enjoy the beautiful cityscape from the sea and take the opportunity to interact with people here from various countries as a refresher from the serious topics of the conference.

We're about to engage in two days of lively discussions, including keynote speeches and talks on technical issues. In closing, I hope that the 7th ASEF will be a great success, and I wish you all the best and continued health. Thank you.