

## **The Chinese Cruise Shipbuilding ‘Trap’: How Western Operators Are Subsidising Their Own Industrial Displacement**

dott. prof. Pino Musolino LLM - April 2026

### **The Market Reality Everybody is Choosing to Ignore**

The global cruise industry is an oligopoly with an unambiguous Western identity. The Big-4 groups — Carnival, Royal Caribbean, MSC, and Norwegian Cruise Line — together control 78.9% of deployed global capacity. Drilling further: Carnival Corporation alone holds 41.5% of global passenger volume; Royal Caribbean Group 27%; MSC approximately 10%; and NCLH 9.4%.

All four are headquartered in the United States or Europe, publicly listed on Western exchanges (or, in MSC’s case, privately held by a European family), and politically anchored in transatlantic economies. The cruise industry is, structurally and commercially, a Western asset.

The shipbuilding ecosystem that made this industry possible is equally Western. European yards — Fincantieri, Chantiers de l’Atlantique, Meyer Werft — have built virtually every significant cruise vessel in existence, sustaining a dense, specialised supply chain across Italy, France, Germany, and Finland. According to CLIA data, the cruise sector generates €18.1 billion in annual economic impact in Italy alone, including €3.4 billion in shipyard investment.

### **What China Is Actually Building**

What China’s programme represents is not merely industrial ambition — it is a deliberate, state-directed strategy of technological absorption followed by competitive substitution.

Chinese authorities have established an official timeline to transfer the majority of subcontracting and key component supply for cruise ships to domestic providers, with the objective of sourcing more than 80% of equipment and support systems from Chinese companies by 2035. This is not aspiration: it is policy, articulated by Chen Gang, President of Shanghai Waigaoqiao Shipbuilding (SWS/CSSC) and Chief Designer of China’s domestic cruise programme.

The programme follows a phased approach: the localisation rate for the third domestically built ship is expected to exceed 50% by 2030, rising to 80% by 2035 with successive vessels. Progress is already measurable — the Adora Flora City, China’s

second cruise newbuild, has already increased its Chinese-component share by approximately 5% over the first vessel.

On 20 March 2026, CSSC and China Tourism Group signed an agreement to build two additional cruise ships with an option for a third — providing precisely the pipeline of successive orders that the localisation programme needs to develop and qualify domestic suppliers at scale.

The architecture of this strategy is transparent to any informed observer: use Western partnerships and orders to acquire know-how, progressively replace Western suppliers, and ultimately compete in the same market with a fully nationalised industrial base. The MOU signed in 2018 between Fincantieri and CSSC — hailed at the time as a “further recognition of our decision to access the immense potential represented by China” by then-CEO Giuseppe Bono — has since progressively weakened and effectively disappeared. The knowledge transfer, however, has not.

### **The Strategic Contradiction**

Here lies the central paradox — one that should alarm any board, any government, and any serious industry observer.

In 2025, China accounted for over 60% of global new shipbuilding orders by unit volume and approximately 62% by tonnage, with CSSC ranking at the top of the global orderbook. The same conglomerate building China’s naval fleet — commissioning one catapult-equipped carrier, at least seven destroyers, six frigates, and additional submarines in 2025 alone — is the counterpart to whom Western cruise operators are entrusting their next generation of assets.

The implications are threefold and compounding:

1. Industrial self-destruction. Every newbuild placed with a Chinese yard is a direct subtraction from European shipbuilding capacity. Not merely in revenue, but in workforce, specialisation, and supplier ecosystem. When Meyer Werft loses an order to SWS, the loss cascades through hundreds of SMEs producing propulsion systems, interior outfitting, navigation electronics, and hotel engineering. That ecosystem, once dismantled, does not reconstitute itself in a business cycle.

2. Competitor creation. CSSC is simultaneously the builder and, through Adora Cruises, a cruise operator targeting both domestic and international markets. The new ships under MOU with China Tourism Group are explicitly designed to accelerate the pace of Chinese cruise expansion to international markets. Western operators placing orders with CSSC are, in effect, capitalising their future competitor — providing the order volume that funds the industrial scaling which will enable that competitor to bid for their own passengers.

**3. Strategic dependency.** Vessels built in Chinese yards, with Chinese systems increasingly embedded across propulsion, navigation, and hotel operations, create long-term dependencies in maintenance, spare parts, software, and technical support. In a deteriorating geopolitical environment, this is not a commercial risk — it is a national security exposure, particularly for operators whose fleets call at US, EU, and NATO-aligned ports under flags with specific security obligations.

## **Conclusion**

The decision by Western cruise operators to award a substantial and growing share of their newbuild programmes to Chinese state-controlled yards cannot be defended on strategic grounds. It may be rationalised on unit cost or delivery timeline — arguments that, in any mature industrial policy framework, would be immediately recognised as the classic short-termism of an actor externalising systemic costs onto competitors, workers, taxpayers, and allied governments.

The Western cruise industry holds a dominant market position built over six decades on the back of European industrial excellence. It is now progressively transferring the foundations of that excellence — capital, know-how, supply chain depth, and order volume — to a state-directed adversarial system that has announced, explicitly and publicly, its intention to replicate and ultimately displace it. And allowing this to happen is not foresight, it is strategic abdication dressed as procurement efficiency.