

Western Owners, Chinese Shipbuilders

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

A brief Survey on the most expedient techniques of negotiating shipbuilding contracts
in the world most popular shipyard venue

by

Francesco S. Lauro

Managing Partner Studio Legale Lauro



Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- **Building a ship is a joint-venture**
- A successful joint venture requires the parties to:
- have a common goal
- understand the other party expectations
- understand the other party capabilities and requirements
- have a valid project
- negotiate a contract with clear provisions governing the parties performance and the necessary flexibility to face unexpected events

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- **Building a ship is a marriage**
 - A successful marriage requires the husband and wife to:
 - have a common goal
 - understand the other party expectations
 - understand the other party capabilities and requirements
 - have a valid project
 - negotiate a contract with clear provisions governing the parties performance and the necessary flexibility to face unexpected events

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- **Enquires/preliminaries: what the Owner must do**
- Make an accurate pre-selection: among the huge variety of Chinese shipyards you can find peaks and lows
- To select reliable shipyards you need a broker specialized in the Chinese market
- Focus on the yards that can meet your fundamental requirements
- Make in advance all the necessary homework
- Put your cards on the table from the outset
- Understand what the shipyard quotes are for
- Compare the various shipyards potential to perform
- Make your offer only when it is clear what you are offering for
- Take the LOI seriously if you want the shipbuilder to do so
- In agreeing on the LOI deadlines allow yourself sufficient time for the technical tuning up and the contract negotiations
- Use well the time at your disposal: LOI postponement may be not possible and may delay delivery

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- **Enquires/preliminaries: what the man must do**
- Make an accurate pre-selection: among the huge variety of Chinese women you can find peaks and lows
- To select reliable shipyards you need a broker specialized in the Chinese market (?)
- Focus on the lady that can meet your fundamental requirements
- Put your cards on the table from the outset
- Understand what the lady quotes are for
- Compare the various ladies' potential to perform
- Make your offer only when it is clear what you are offering for
- Take the engagement seriously if you want the lady to do so
- In agreeing on the engagement deadlines allow yourself sufficient time for the technical (?!) tuning up and the contract negotiations
- Use well the time at your disposal: wedding postponement may be not possible and may delay delivery

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- Enquires and preliminaries: what the shipbuilder must do
- Be the one who chooses his clients as long term partners: shipping is a very cyclical industry but developing a shipbuilding project is a long term business
- Put your cards on the table from the outset
- Do not worry to appear un-polite: state clearly what you can do and what you cannot do
- State clearly in your offer what is your commitment and what are you responsible for
- Ask clearly to the owner what he has got to provide
- Take the LOI seriously if you want the owner to do the same
- In agreeing on the LOI deadlines allow yourself sufficient time for the technical tuning up and the technical negotiations
- Use well the time at your disposal LOI postponements may harm you greatly

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- **The Contract**

- In the present Chinese environment a good contract is fundamental
- No good contract without good design and detailed specifications
- Technical cooperation agreements may play a fundamental role
- State clearly who is in charge of what
- Give up what is not important for you in order to get what is essential
- Do not sow seeds for disaster
- Conflict is not part of the Chinese culture you should try to avoid it and anyway deal very carefully with it
- With the present market you may need to be an innovator: do it using your full potential but always stick to your basic principles
- Choose a lawyer who knows the Chinese culture and your strategic aims

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

- Understand your partner
- Be flexible
- Stick to few principles

Francesco S. Lauro

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

Be flexible!

Western Owners, Chinese Shipbuilders

TWO CULTURES, ONE GOAL

how to successfully build vessels in China

A brief Survey on the most expedient techniques of negotiating shipbuilding contracts
in the world most popular shipyard venue

by

Francesco S. Lauro

Managing Partner Studio Legale Lauro

