If these three lines aren’t able to consummate a merger, does that mean the industry has entered a “too-big-to-save” phase?

A plethora of companies, most of which have long since disappeared, initially populated the liner shipping industry. Despite industry turmoil, Maersk is the only liner shipping company to have thrived in its original format. Although rumors circulated perpetually about the financial stability of various companies, Maersk has used its wide industrial base to maintain a steady financial course.

Vessel sizes have increased exponentially, and the investment burden has resulted in increased market concentration. In fact, speculation is increasing about whether an ocean carrier with less than 3 percent market share is even viable. When speculating about the future of the liner shipping industry, it may serve us to look at the three Japanese lines — which were also present at the creation.

Thirty years ago, there were six primary Japanese lines: NYK (the oldest and largest), Mitsui O.S.K., “K” Line, Japan Line, Y.S. Line and Showa. (Only the first three have survived.) Their willingness to cooperate — especially with block voting in conferences — enabled them to prosper in the postwar period, when Japan’s need to import raw materials and export finished goods was growing.

The 1984 Shipping Act changed the way the industry operated, and the Plaza Accord the following year resulted in a literal explosion of trans-Pacific trade. Japan’s unquestioned leadership in manufacturing (and ocean transportation) suddenly faced a challenge from the Four Tigers: Hong Kong, Singapore, Taiwan and South Korea. Three Japanese lines disappeared between 1984 and 1990. The formation of the World Trade Organization in 1995, and China’s membership in 2001 brought further transformation.

In 2011, Japan suffered its first trade deficit since 1963. While there are many anomalies to explain this result — the March 2011 earthquake and tsunami, high oil prices and a strong yen, for example — many economists believe this is a globalization inflection point. The Economist recently observed that the top five Japanese electronics manufacturers lost two-thirds of their value since 2000, and they described Japanese manufacturing as overlapping and inefficient. “No fewer than eight crank out mobile phones, more than 10 make rice-cookers and six make televisions,” the Economist wrote.

The result has been merger activity. If the internal, criminal accounting activities at Olympus prove to be more than a one-time exception, the trend could accelerate. Recent reports say the three remaining Japanese lines are considering a merger. On the surface, there’s reason to recommend it. The 10th-, 13th- and 16th-largest lines could combine into the fourth-largest.

Many obstacles must be surmounted, however. The internal politics implied could prove toxic among companies with long histories of competition. The three lines also are involved in three different alliances, which would be difficult to unwind. Consolidation of terminals and other subsidiaries pose additional problems.

Although the merged company would enjoy scope and scale, other aspects of a merger may be less positive. None of the three lines has placed any significant orders for mega-vessels, which have become the economic (scale) weapon of choice. The concentration of vessels calling Japan also represents a challenge. Shippers who share their business among the three carriers may wish to diversify.

If these three lines — with so much to gain — aren’t able to consummate a merger, does that mean the industry has entered a “too-big-to-save” phase? With overcapacity rampant, economic growth problematic, and rates resisting any significant increases, the outlook is chilling for many lines.

Ascendant lines may decide that acquiring vessels of defunct competitors at auction is more attractive than trying to successfully integrate competitors through merger — add capacity, that is, without any of the financial and cultural headaches. Vessel overcapacity could accelerate this market-clearing mechanism.

We may be present at a new creation. Who will the leaders be?