

Asia's Shipping Industry at Full Speed

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**Ladies and Gentlemen, All my friends,
Good Morning !**

It is my great pleasure to deliver a presentation in the World Maritime University. The World Maritime University has been enjoying a reputation as the top institution in the world shipping community as well as a cradle for shipping professionals. This is the place where everyone in shipping community has dreamed to come and study.

There is a close relationship between the World Maritime University and COSCO. Prof. Ma Shuo, now as your vice president, had been working in COSCO before he came here. And COSCO has sent about 20 staff members to study in the WMU and when they finished their study and returned to COSCO, they were appointed to more important positions.

As the CEO of COSCO, I am also delighted to have such an opportunity and share my views and understandings about international maritime industry with all of you. I know you are top class students from all over the world and I do hope my presentation will be able to inspire your study and help your career.

I would also like to say thanks to Singapore Maritime Foundation, who proposed such a good opportunity for me to make a visit to this university. Today I am prepared to brief you the latest development of shipping industry in Asia and the increasingly important role it has been playing in the world maritime industry.

Before we start the presentation, I'd like to show you something. Last year in July, COSCO Group, together with Drewry Shipping Consultants UK and the Maritime China Magazine, organized the World Shipping (China) Summit 2004 for the first time in Beijing. The summit successfully attracted over 500 delegates from international shipping, finance, business and other related circles. More than 20 senior representatives from shipping, port, ship building communities and investment banks and high level officials from government authorities spoke on this summit. The summit gained massive coverage from renowned international media and shipping editorials like Bloomberg, Lloyd's List and Tradewinds.

In this coming November, the second World Shipping (China) Summit 2005 will be organized by COSCO in Shanghai, one of the most dynamic cities in the world. So far, the summit has gained a wide attention and been well received by the shipping community like Bimco, Intercargo, Intertanko, so we are confident that this summit will again turn out to be another great event for the world shipping community.

People might ask why such a shipping conference has attracted such great attention and gathered all the elites from the shipping community. Some believe this is the influence of COSCO, while others say this is because of rising economy of China.

In my opinion, the fundamental structural change in international shipping industry, the rise of Asian maritime industry, especially the increasingly important position and role China plays are the most important reasons.

(I. The international shipping industry is undergoing a new round of

rising-cycle.)

First of all, starting from the second half of 2003, the international shipping entered a new round of rising-cycle. The three major shipping markets - dry bulk, tanker and container, started to rise at the same time. The market reached a record high and its prosperity can be illustrated (证明) by the following features:

The freight market was booming. In terms of container shipping, all freight rates on key shipping services picked up with the average rate increased by 5% compared with the same period of the previous year. The rates on the eastbound transpacific and the westbound from Asia to Europe enjoyed strong growth of 10% and 8% respectively. As for dry bulk shipping, the Baltic Dry Index (BDI) kept climbing up and created two peaks in 2004. On Feb. 21, the BDI reached a new historical record at 5,681 points, and on Dec. 6, the BDI stood at 6,208 points, which made history in shipping. We had good times both in 2000 and 1995, but compared with market situation in 2004, they are nothing. As for tanker business, I would like to ask you how much a VLCC would earn in late 2004? - 250,000 USD per day!

The Sales and Purchase market was ever active. The prices of ships kept rising up and transactions on the market became very active. On the one hand, ship owners were busy with putting up new-building orders, thus new orders have been increasing sharply. On the other hand, the yard capacity worldwide is limited. You could imagine the price of new buildings. For example, the building cost for a VLCC of 300,000 DWT rose to US\$ 110 million from US\$ 76.5 million, 43% higher than the previous year. The price for a Capesize bulk carrier of 170,000 DWT rose to US\$ 64 million from US\$ 48 million, 33% up. The building cost for a 3500 TEU container ship rose to US\$ 53 million from US\$ 42.5 million,

25% higher. The cost for a new 138,000 cubic meters LNG carrier rose to US\$ 185 million from US\$ 155 million, 20% higher.

In the meantime, the market transaction of secondhand ships was very hot too. In 2003, the number of secondhand ships transferred was 1312. In 2004, this number reached 1,668, an increase of 27.1%. In this year, the number of dry bulk carriers purchased at the market in one month ever reached 87!

The prices of secondhand ships rose so fast that the prices of some secondhand bulk carriers and oil tankers were very close to the newbuildings, or even higher than the newbuildings. For example, the price of a five-year-old 170,000 DWT Capesize dry bulk carrier was US\$ 64.5 million by the end of 2004, and became even more expensive than a new ship. In 2005, this price went up further to US\$ 72 million. The price of a five-year-old 300,000 DWT VLCC rose from US\$ 71 million in the end of 2003 to US\$ 108 million in the end of 2004, up 52% and basically the same price with a new ship. The price of a secondhand container ship, though not exceeding the price of a new ship, took a big leap too. Take a ten-year-old 3500TEU container ship as example, the price rose from US\$ 26.5 million in the early year to US\$ 41.5 million at the year end, up by 57%!

Almost all shipping companies enjoyed an increase in revenues while good returns on investments. The year of 2004 has already become a milestone of international shipping history. In a popular word, the "bull market" of global shipping industry has come. Shipping has again become one of the industries with high return, and the recovery growth on freight rates and the tremendous potential demands for international shipping are the major factors revitalizing (激活) this traditional industry. All major shipping companies have gained significant growth. In

particular, many container shipping companies have survived from deficit-operations and successfully doubled or tripled their profits.

In 2004, the total value of bonds issued by shipping companies exceeded US\$ 1.7 billion while the total amount of stocks issued by shipping companies exceeded US\$ 2 billion. Europe and the Far East become attractive areas for shipping companies to list. Meanwhile , in capital market, shipping stocks show better performance than the average. The tanker index rebounded to 298% and the container index rebounded to 141%. Financing methods like German KG and UK Lease have become popular again.

A Large amount of capital has flown into the shipping market, and particularly, container shipping and tanker shipping have become new focus in the capital market. Just like Mr. Long Yongtu, the Secretary General of Boao Forum for Asia, spoke at the World Shipping (China) Summit in July 2004, "in the 21st century, shipping industry will become a sun-rise industry again."

Shipowners are speeding up to order larger ships. Along with the growing demands for shipping services, shipping companies are strengthening their investment on new ships. Meanwhile, for the reason of economy of scale, larger ships become more and more popular in the market. In dry bulk shipping, very large ore carriers (VLOC) of 300,000 DWT have been ordered by COSCO, NYK, MOL and K-LINE. In tanker shipping, very large crude oil carriers (VLCC) are welcomed by the market. In container shipping, the biggest container ship in service has a capacity of 8200TEU , while the eight biggest container ships under construction, as ordered by COSCO, has a capacity of 10000TEU; in the meantime, the blueprint (蓝图) of 12000TEU super container ship has been completed in order to satisfy the ever-expanding demands in the

global container shipping market.

Insufficient port capacity becomes bottleneck. The prosperity of shipping market brings a sharp rise of throughput in ports and terminals. Of the global top 30 container ports, more than half of them enjoyed a double-digit growth on the throughput last year; meanwhile, some seaports in East Asia enjoyed a growth rate up to 30% or 40%. On the other hand however, insufficient port capacity has led to serious port congestion around the world. Some major ports in the Far East, North America, West Europe and South America have experienced hard congestions.

It is obvious that insufficient port capacity has become a bottleneck restricting (限制) the development of shipping industry. Therefore , the terminal operators around the world started to enhance infrastructure construction and expand production capacity one after another. In the meantime, shipping companies, for the purpose of controlling cost and improving their competitiveness, enhanced their investment and control on the ports. The most noticeable and typical example is the Yangshan Deep-water Port Project in Shanghai China. This project was given high attention by the industry from the very beginning. A total of 21 shipping and terminal companies expressed their interests to invest.

Besides port expansion, the Panama Canal is planning future expansion. When the Canal was designed and built 100 years ago, the largest ships at that time were only about 10 thousand tons deadweight. Though reconstructed several times, the Canal still has limitations on ship's length, width and draught. The rise of container cargo traffic is challenging the transit capacity of the Canal. I am on the Panama Canal advisory board myself, and a hot topic we discussed is the expansion plan of the canal. But where shall the money come from?

On February 1 this year, the Panama Canal Authority (ACP) announced that charging standards for container ships will be changed. The implementation of this new standard actually raised the charge of containerships by 69%. The purpose for the ACP to increase charges is to collect funds for the Canal expansion project. Why did ACP plan to expand the canal? Because the Panama Canal has not been able to satisfy the increasing growth of transit demands!

(II. Structural changes have taken place in the shipping industry.)

The rapid growth in demands have driven the shipping market up.

(1. Global Industrial Restructuring)

The root cause for a rapid growth of shipping demands is the global industrial restructuring.

Since 1990s, economic globalization has come with the dramatic change of international economic and political framework, fast development of technology and growth of cross-border investments. As a result, world economic and trade activities are experiencing three structural changes.

The first one is national industrial structure change. Service industries are booming quickly in developed countries, but their traditional manufacturing industries are moving overseas.

The second change happens to cargo structure. In primary products, bulk raw material trade continues to grow steadily. In manufactured goods, high value-added and high tech products are increasing their shares.

The third change is in trading region structure. The center of world trade

is moving towards the Asia Pacific. Asian countries are growing their shares in global trades as a result of economic growth and opening economy. Back to twenty years ago, Asia was largely regarded as a region of exporting raw materials. But today, Asia has become the factory of the world by importing huge amount of raw materials from all over the world and exporting manufactured goods to other places. Asia has already become a globally recognized "world factory". This region has consumed more raw materials and produced more manufactured products than any other continent in the world. In shipping, the volume of cargo rather than the value of cargo matters.

Global industrial restructuring has brought profound (深刻的) impact on international shipping industry. In July 2004 at the World Shipping (China) Summit, I proposed the conception of "the structural changes of international shipping industry". To be more specific, global industrial restructuring led to changes on the world trade patterns and created strong shipping demands, caused the driving force of shipping shifting from the west to the east.

(2.The rising of Asian shipping industry)

Of the structural changes of shipping industry, the rising of Asian shipping is most eye-catching (引人注目). Asia ,especially East Asia, has become the main driving power for the development of global shipping industry. No doubt, Asia is becoming one of the most dynamic regions in terms of economic growth around the world. Along with globalization, Asia, by the advantage of enormous consumer's market and relatively cost-competitive human resources , has promptly acquired its role and position in this process. First Hong Kong, Singapore, Taiwan and Korea, then Mainland China and India, most Asian countries or regions have achieved faster economic growth than the world average and the

growth in developed countries.

From 1986 to 1995 and from 1996 to 2005, the annual average economic growth reached 3% and 2.8% respectively in developed countries; while this growth in emerging Asian economies reached 8.1% and 4.3%. However, the numbers in other Asian developing economies became 7.7% and 6.6%. If we calculate in line with Purchasing Power Parity (PPP) method, Asian countries' GDP has grown to today's 23.8% from 15% of 1990 in the world's total GDP. Based on the current speed, Asian economy will take up half of the world economy historically in the foreseeable future.

The rising of Asian shipping industry is firstly reflected in the strong demands. According to Clarksons, Asian major oil importing countries imported crude oil nearly 10.8 million barrels per day in 2004, accounting for 30% of the world's total; The three major dry bulk cargos: grain, coal and iron ore, were over 1.3 billion tons, 57% of the total worldwide. In 2004, iron ore imports of Asian economies including China, Japan and Korea are close to 70% of the world total iron ore trade volume.

The development of container ports in Asia witnessed the growth of Asian shipping industry. Currently, of the top ten container ports around the world, six are in Asia. Traditional large sea ports in Europe and America like Rotterdam and Los Angeles have been left behind far away by rising Asian ports. In this process, the fast growth of Shanghai Port and Shenzhen Port are particularly significant. Let's take Shanghai for example. In 1990, the total throughput of containers there was only 450,000 TEU. In 1996, this number jumped close to 2 million. In 2004, its throughput reached 14.557 million TEU and jumped up to the third largest seaport in the world, right after Hong Kong and Singapore.

In the same year, the throughput of containers in Shanghai port grew by nearly 3.3 million TEU, while this increment (增量) is equivalent to six month's total throughput in Los Angeles. With the completion of the first phase of Yangshan Deep-water Port Project this October, Shanghai port will achieve a growth with stronger momentum in the future. At present time, the top ten container ports in the world are listed by the Containerization International as Hong Kong, Singapore, Shanghai, Shenzhen, Pusan, Kaohsiung, Rotterdam, Los Angeles, Hamburg and Dubai. I believe in the near future this ranking will change and more Asian ports will be included into the top ten.

The rising of Asian shipping industry is also reflected in the rising of Asian ship building industry. Over 80% of ships are built by Korea, Japan and China, and the Far East has become a new shipbuilding base with the fastest growth in the world. Especially, China's ship building industry has been developing very fast. In past six years, the market of China's ship building industry in the world rose from 5% to 10%.

The rising of Asian shipping industry is also reflected in the resources of shipping services and other related industries. According to Clarkson's latest statistics, six of the top ten shipping companies if measured by the total gross tonnage in the world are based in Asia. Moreover, the top three are all from Asia, named Japan's MOL, COSCO and Japan's NYK. In addition, Japan's K-Line ranks the 6th, China Shipping the 8th and Singapore's Global Shipping the 9th. Some might ask about Danish AP Moller Maersk and Fredriksen from Cyprus. Clarkson's statistics rank AP Moller Maersk the 4th and Fredriksen the 5th.

According to Lloyd's List, currently the total tonnage owned by Asian shipowners accounts for 43% of the world's total. In addition, because they charter in a huge number of ships, they are actually operating a

bigger tonnage. Two thirds of the global top twenty container companies and ports are located in Asia. More than half of the crew members in the world come from Philippines, India, China and other Asian countries. At the same time, other shipping related businesses like shipping financing, insurance, legal service are shifting to some Asian maritime centers like Hong Kong, Singapore and Shanghai.

All these facts are indicating that the international shipping center is moving to the east. This conclusion can be supported by a report issued by the government of London last year. In August 2004, London government issued a report on its position as a shipping center - The Future of London's Maritime Services Cluster (中心): A Call for Action. The theme of this report is the United Kingdom government, confronting (面对) the challenge from Asian maritime center, appealed all circles to pay more attention and invest more money to their shipping industry, so as to safeguard the advantage of London as the global maritime center and try to rebuild the prosperity of their shipping industry. In this report, three port cities in Asia are regarded as London's powerful competitors, and they are Singapore, Hong Kong and Shanghai.

(3.China Factor)

In the strong growth of Asian maritime industry, China played an indispensable (不可缺少) role. China has become an important driving engine. According to statistics, China has gained an average economic growth rate of 9.4% in the past 25 years and the GDP is currently ranked No. 7 in the world. Based on professional analysis, although China's GDP only accounts for 4% of the world's total, the country's contribution to the growth of world economy is up to 17.5%. Presently, China is the top consumer of iron and steel, copper (铜) products, tin (锡) material, platinum and iron ore, the second largest consumer of oil, aluminum (铝) and lead (铅), as well as the biggest

"manufacturing plant" in the world. The statistics shows that, in 2004, China achieved the total import and export value up to US\$ 1.15 trillion, 35.7% up. With both export and import surpassed US\$ 500 billion, China has become the 3rd largest trading nation in the world.

According to latest statistics from China Customs, during January to August this year, China achieved the total import and export value up to US\$891 billion, and 23.5% up from the same period last year. Based on an analysis by Chinese Ministry of Commerce, in 2004, China made 12% contribution to the global growth of cargo trade and became one of the major driving forces for international trade growth. China has become a focus of global attention.

Though China only accounts for 6% of the total world trade presently, the country does play a greater role far beyond this figure in the surging shipping market. Since 2000, China has gained an annual average growth of 100 million tons in foreign trade freight volume. In 2003, this volume reached 950 million tons and in 2004 1.02 billion tons, increased by 70 million tons, accounting for 21% of the total global freight increment.

Next, I would like to discuss with you the great impact China Factor has brought to the international shipping from perspectives of three major markets.

The first is container market. In the past twenty years, China has always been one of the most important and dynamic container shipping markets. The throughput at Chinese container ports has kept a fast growth of 25% in 18 consecutive years. In 2003, the total container throughput at Chinese ports reached 48.6 million TEU and 61.6 million TEU in 2004, accounting for 18% of the global total. Meanwhile, China has taken a bigger proportion in terms of increment of container freight volume both

imported and exported, up to 40% plus in the world's total. In 1995, only two container ports in China were listed into the world's top 10 – Hong Kong and Kaohsiung. In 2004, Shanghai and Shenzhen were added into the list while the throughput in both places has exceeded 10 million TEU.

In the meantime, China's share on the key services of container shipping in terms of exported container volume has been growing year by year. According to statistics, the container volume from China mainland to the US has amounted for 58% of the total volume on eastbound Pacific service in 2004. This proportion is expected to go further up to 60% this year, whereas in 1996 it was only 20%. On the one hand, Chinese ports have become the ports of first departure for a number of liner services, and Chinese market has become the fastest growing market for almost all the major liner companies. Since liner shipping industry relies more on Chinese market, any slight fluctuation at Chinese market will bring remarkable impact to the whole liner shipping market. On the other hand, China's position in the international container shipping market has been rising year by year. As a result, the traditional development pattern dominated by the US and Europe has been replaced by a new tri-polarized pattern of three major markets: America, Europe and Greater China, with the US, EU and China playing leading roles in each market.

The second is dry bulk market. China has brought an even more remarkable impact to the dry bulk market than to the container market. Over the past decade, China's average annual growth in dry bulk shipping reached 15%. In the last three years, China enjoyed an accelerated growth of the demands for import and export of dry bulk cargos with average annual growth rate up to 22.8% and increment accounting for 50% of the total net increment worldwide.

Let's take iron ore as example. For nine consecutive years, China has

maintained the first place in iron and steel production. As driven by the strong demands, especially property development and manufacturing industry China has kept strong momentum in fast growth of iron ore import. In 2004, China imported 210 million tons iron ore, accounting for over one third of the total seaborne iron ore trade. The net increment reached 60 million tons with an annual growth of 40%.

Moreover, China's contribution to the total seaborne trade volume of iron ore is not only a matter of volume, but also a matter of longer distance. In the past, China imported ore primarily from Australia and India, but now, Brazil and South Africa also become exporters of iron ore to China. With longer distance, nautical miles have also been extended by a large margin. At the same time, as China has maintained a continued fast growth in iron ore import, the international dry bulk shipping market is getting less and less influenced by seasonal grain freight, because the proportion of grain in the large quantity cargo is getting smaller.

Since early this year, the BDI Index has been falling for a period of time. This is also closely related to China's market fluctuations. In order to prevent some sectors of economy going overheated, Chinese government has implemented a series of macro-control policies that affected China's foreign trade in a short period of time. On the shipping market, with the total demands reduced, BDI Index has also come down. But after all, I still believe the market will get stable after being adapted to China's macro-control policies, because China's economic growth will be a long-term factor to promote the international trade. Chinese government has fully committed itself to a steady and fast development to its economy.

The third is the tanker market. China's fast economic growth has rapidly increased the country's demand for oil. In 2004, China imported

120 million tons crude oil, equivalent to 2.43 million barrels per day, and 32% higher than the previous year. Although this 120 million tons accounts for only 6% in the total volume of crude oil transported by sea, the annual increment in China accounts for up to 25% of the global total. China has become the second biggest oil consumer and the sixth biggest oil importing country in the world.

All these figures keep repeating such a fact: China's fast economic development has brought huge demands to the shipping industry, promoted international shipping to further prosperity. Looking ahead to China's future, with the proposal of the strategy to build an all-round well-off society and day to day improvements of market economic system, China will be able to maintain a continued high economic growth, and trade exchanges between China and the rest of the world will be further strengthened. Therefore, we are confident to see a continued fast growth on the demands of container, dry bulk and oil shipping. Further, shipping-related industries like shipbuilding, port logistics, crew manning, as well as shipping finance, insurance and legal service will also benefit from China's growth. Just as pointed out in an article on New York Times, the flourishing Chinese economy has brought busy businesses and rolling-in fortunes to the global shipping industry and China has become a dreamland for the shipping community.

In fact, international shipping companies have started to invest and operate at Chinese market for quite some time. Maersk, the biggest container liner company in the world, has four of the total five Asia-Europe services and six of the total seven Pacific services calling Chinese ports. As per statistics, by the end of last year, China had approved as many as over 120 wholly foreign invested shipping companies, liners and their affiliated agencies in China, and more than 70 foreign shipping companies have started international liner services to

Chinese ports. Based on convincing analysis by the secretariat of WTO and Chinese Ministry of Communications, the opening degree of China's shipping industry has surpassed the average level of WTO members, and thus become a fairly open and market-oriented industry.

Even so, China will continue to open up its maritime sector and strengthen infrastructure constructions of ports and waterways. According to a strategic plan, China will build a total throughput capacity at its coastal ports up to 3 billion tons and 100 million TEU at container ports by 2010, thus basically establish a well-designed and clearly categorized (类别清楚) container transport system. By the same time, large-sized and specialized crude oil and iron ore terminals will be constructed, and waterway constructions at hub-port will be in line with constructions of large deep-water terminals. China is also encouraging to upgrade the traditional transport industry with modern logistics so as to expand the development space for shipping industry.

(III. The prospect and opportunities of Asian marine transport industry)

Looking ahead, Asian economy as a whole will maintain the momentum of rapid and steady growth; meanwhile, its position in world economy will rise further. Asia's role as the "world factory" will be consolidated and strengthened further. Asia's export will take a bigger share in the total export of the world.

First, the global economic and trade situation continues to improve, thus provides favorable external environment for the Asian shipping industry. After three years' recovery, the world economy reached a new cyclical (周期性) peak of growth in 2004, with a growth rate up to 5.1%, nearly the highest in the recent thirty years. As forecasted by International

Monetary Fund (IMF), the world economy will still achieve a growth of 4.3% in 2005. The world trade, driven by the strong growth of economy, revealed a momentum of rapid growth as well. As measured by WTO, the volume of world trade grew by 9% in 2004, the highest since year 2000. It is predicted that the world trade will keep a steady growth in the coming two years.

Second, the strong growth of Asian countries, especially China have become the driving power for the Asian shipping industry. Developing countries such as China and India are gaining accelerated speed on economic growth. As per statistics, the economic growth rate in all developing countries in the world was 6.6% in 2004, while it was 7.6% in Asian developing countries. The rapid economic growth in Asian countries plus open-door policies has secured a continued steady growth in the world shipping demands. According to a measurement by Chinese government, Chinese economy will maintain a growth rate of over 7.5% between 2006 and 2010. If China doubles its GDP in 2010 on the basis of 2000, then its GDP will reach 2.35 trillion USD in 2010 from 1.65 trillion USD of 2004. China's share in the world economy will grow to over 5% from 3.9% in 2004, and correspondingly China's place in world economy will jump to the 4th place in 2010 from the 7th of 2004, only after the US and Japan, about the same size with Germany.

Third, The features of Asian trade have secured a sustainable and stable development of Asian shipping industry. The development of export-oriented economy in Asia has determined (决定了) its foreign trade framework. In Asia, the proportion of commodity trade is much higher than service trade and the former accounts for most shares of the total trade volume. In particular, processing trade has taken a very high proportion, thus has brought significant demands of shipping in both import and export.

Fourth, the developing trends of shipping industry adds more power to Asian shipping. Shipping is an ancient industry, but with the development of science and technology, social progress, customer-oriented promotion and objective laws of this industry, shipping is changing its traditional faces and revealing great vigor.

First of all, under the trend of trade liberalization, shipping, as an important part of service trade, is being less and less monitored by the government and gradually starting the process of liberalization. Conformed (规范的) management plus relieved administration is being widely accepted as a managerial philosophy. For example, although several Chinese state-owned shipping companies have not fully cast off (摆脱) the so called ‘controlled carrier’ status, US Federal Maritime Commission’s attitude towards freight rates reporting has become much more flexible.

Secondly, shipping industry is being restructured into total logistics service, while this restructuring process means upgraded customer requirements and enormous business opportunities. Currently, logistics in Asia is still in primary stage, compared with Europe and the US, but it has got a strong momentum and a huge potential for future development.

Thirdly, along with the development of information technology, shipping companies are becoming more and more digital, and meanwhile, E-commerce functions like on-line booking are getting more and more popular.

Finally, the rapid growth of shipping industry will not only promote the development of shipbuilding, ship repairing and ports and terminals in Asia, but also provide more valuable opportunities to crew manning, ship

management and other related industries. Asia's shipbuilding and ship repairing has taken the top position in the world, but with the growth of science and technologies of ship building in China, Asia will be able to expand the advantage. Asia has the first class quality crew members, but more work needs to be started in order to enhance the crew manning service in Asia.

In one word, the 21st century is Asia's era. Asia has stepped into its prime stage of development and will release tremendous potential. All the professionals in the world shipping community can exert (发挥) their talents, demonstrate their values and create fortunes on this stage.

(VI. Introduction of COSCO Group)

As the flagship of China's shipping industry, COSCO's history is also the history of the country's ocean shipping industry. COSCO's rapid growth has also reflected the opportunities China's growth has brought to Asia and the world.

COSCO now stands as the second largest shipping company in the world. We started our business in 1961 from passenger ships. MV Guanghai was our first ship. The purpose of her maiden voyage with COSCO was to take overseas Chinese in Indonesia back to mainland of China. Nearly 45 years have passed, the history of COSCO marks the history of shipping industry of new China.

Today COSCO is a US\$17 billion multinational company, with headquarters in Beijing and more than 80 thousand employees worldwide. Specifically, COSCO offers its mix of shipping, freight forwarding, shipbuilding, ship repairing, terminal operations, trade, financing, real estate and IT service in more than 160 countries. Now we are operating

about 650 modern merchant ships with a total carrying capacity of up to 36 million DWT. We own and operate about 120 container vessels totaling over 300,000 TEU. We own and operate about 200 dry bulk vessels with total capacity of up to 12 million DWT. The tanker fleet is about 18 tankers with totaling up to 2 million DWT.

COSCO has developed into various shipping related industries, including shipbuilding, ship repairing and container manufacturing. In shipbuilding area, Nantong COSCO KHI Ship Engineering Ltd., though is a newly set up company, its productivity level is much higher than others in China and has been in the leading position in the shipbuilding industry. In ship repairing area, COSCO Shipyard Group is the leading company in Chinese ship repair market as well as a major player in ship conversion market.

The COSCO group also includes eight publicly traded subsidiaries, which are listed on the Singapore, Hong Kong, Shanghai, and Shenzhen stock exchanges. On June 30th, 2005, COSCO Group's seventh listed company -- China COSCO Holdings Company Limited -- went public in Hong Kong and the IPO had the largest scale in the history of global shipping industry. Since COSCO Group acquired a company in Singapore which became its first listed company overseas in Oct. 5, 1993, the group has had seven listed companies both in China and overseas now, including China COSCO, COSCO Corporation Singapore, COSCO Pacific, COSCO International, COSCO Shipping, China Merchants Bank and China International Marine Containers. Currently, the group's three main businesses, namely ocean shipping, logistics, and ship building and repairing, have entered the capital market, accounting for 50% of the group's total assets.

To enhance the service to customers, COSCO invest heavily on IT

infrastructure. Five years ago I spent one billion RMB to build our container business IT system-IRIS-2 (Integrated Regional Information System). Now the system are working well and enabling the customers to manage their cargo at their own desk.

We are open to cooperate. In liner business, we formed “CKYH” to share capacity with K Line, Yangming and Hanjin. In terminal business, we are strengthening the cooperation with P&O and Maersk. In finance and shipbuilding, we are using UK lease and German KG scheme. We are developing strategic partnership with cargo interests. A lot of well known companies are our strategic partners, such as Wal-Mart, Exxon-Mobil, etc.

From the viewpoint of regional distribution, in China mainland, COSCO Group has fully-owned affiliate shipping companies located respectively in Guangzhou, Shanghai, Tianjin, Qingdao, Dalian, Xiamen and Hong Kong, managing different types of fleets as container ships, bulk carriers, special purpose carriers and oil tankers. COSCO Group, with eight regional headquarter established in Japan, Korea, Singapore, North America, Europe, Australia, South Africa and West Asia, has built a multinational operation network covering the major regions of the world through the connections of shipping routes.

As an internationalized shipping group, COSCO sets its mission of the new century as follows: Develop the leading position in maritime industry and logistics, and keep good relationship with clients, employees and partners on the basis of honesty and mutual trust, thus to maximize the return to shareholders, environment and society. At present, COSCO Group is adjusting and optimizing (优化) its structure of industries, and trying to implement two fundamental transformations, which is, to transform into a shipping-based global logistics operator, and to

transform into a world-class multinational corporation from a multinational operating enterprise.

Today, COSCO can be spelled as follows:

C - Commitment

O - Orientation

S - Seriously

C - Carried

O – Out

This can be seen as our commitment and strategy. In fact, in response to the rapidly changing requirement of logistics industry and consumers, COSCO's strategy is to enhance shipping business' competitiveness and to broaden our logistics service business, by optimizing our corporate structure and making more efficient utilization of our global shipping and logistics resources.

By advantage of its substantial strength and influence, COSCO has become members of many famous international and domestic organizations such as Baltic International Maritime Conference (BIMCO), INTERCARGO, ITIC, BOX CLUB, Boao Forum for Asia, China Shipowners' Association and China Association of Shipping Agency (CASA).

Finally, I'd like to take a few minutes to share with my three principles to success. First, keep learning. The shipping industry is complicated, competitive, and always changing. If you want to make your mark, you should keep learning. Learn from books, Learn from work experience and learn from others. You should enrich your knowledge and skills through learning. I stick to learning and now I've got a Ph.D degree in shipping and naval architecture design. Second, work hard. Everybody at COSCO

must work hard. As the CEO, for many years, I've only slept four hours a day. Last but not the least, don't overlook (轻视) the work you are doing. Try your best to do every piece of work as best as you can. Never overlook your work.

To conclude, COSCO Group has opened its door widely to the world and welcomes the excellent talents in the world shipping community, including the top students of you to join COSCO, a big family, so as to make greater contribution to the development of global maritime industry! Here, I would very much like to say, the stage of global maritime industry belongs to you and belongs to us, but eventually, it belongs to you!

I thank all of you again for coming and listening to my presentation.