

Economic Globalization and Shipping Development in the New Century

Gao Weijie Executive Vice President COSCO Group

**Respected Chairman,
Ladies and Gentlemen:**

First, I would like to take up this opportunity to say thanks to the Malaysian Shipowners' Association for inviting me to speak here. It is my pleasure to discuss the topic 'How to balancing contemporary threat and needs in maritime transportation' with our colleagues in the industry. I will today give a presentation on 'Economic globalization and shipping development in the new century'.

In the past of a few years, the human being has stepped into a new millennium with the world multi-polarition and the economy globalization. As an important characteristic of the new world, economic globalization has given rise to profound influence on world economy, trade and their derivative — shipping industry.

The economic globalization has promoted the international flow of trade, investment, technology and financial capital, as a result of which, the globalization of the international shipping market has been accelerated further. Economic globalization has brought about the following influences on global shipping industry:

First of all, the global sea trade will continue growing. More and more shipping cargo with higher knowledge content and higher added value requests high-quality transportation service.

With the developments of the world economy and trade, the global sea trade will continue growing. Although some unstable factors, especially such unexpected events as the Iraq war and the SARS, have great effects on the world economy and the international shipping industry, because worldwide economy centers become multagular, the global trade volume are going up.

Meanwhile, rapid development of science and technology leads the knowledge content and added value of goods increase obviously, which requests high-quality shipping service.

Next, with international transportation entering the age of integrated transportation and modern logistics, a new great revolution will take place in shipping industry.

The global economic integration and the increasing expansion of transnational corporations make the equipped mode of shipping internal resources turn from that of shipping line to that global carrier, and will gradually coordinate and combine so many resources worldwide such as personnel, equipment, information, knowledge and network to coordinate and rectify, so as to form the operation system of the global integration.

Logistics has loosed its nationality, which is reflected in four respects: distance, document, diversity in culture and demands of customers. This means that in different countries and regions, logistics is longer in distance, more complicated in document, more changeful in product and service requirements, meeting various culture differences. Those well managing multinational, multifunctional and multicultural business in logistics hold the unique competitive advantage in the contemporary era.

At the same time, modern and efficient ports are necessary and powerful tools for facilitating and fostering trade and development and more so at a time of globalization of trade. Nowadays, ports must offer efficient and reliable services to ships and cargo, including communication systems, documentation and customs procedures, to allow the timely flow of goods through the transport chain. Therefore, ports are no longer simply a place for cargo exchange but are a functional element in the dynamic logistics chain through which commodities and goods flow. Considering that port services have been instrumental for the development of transshipment operations on the scale observed today, more and more ocean shipping companies focus on investment in ports.

Furthermore, ‘Mass Customization’ service becomes a good solution to provide customers with tailor-made quality services, at the same time it brings about scale effect to shipping companies. To do that, while going in for large-size and high-speed ships, shipping companies are in pursuit of suitable middle-size and small-size ships.

Nowadays, the international shipping market has formed the buyers’ market and with the continuous opening and development of shipping industry worldwide, the buyer’ market continues extending, so the competition in shipping industry will become more and more severe. The shippers bring forward higher requests, such as shortcut courses, reduction of stopped ports and individualized services. So carriers need to satisfy shippers with specialized and tailor-made quality services. In order to not only meet customers’ needs but also achieve maximization of profit of carriers, some forward-looking shipping companies have provided ‘Mass Customization’ service which can well combine above two aspects. To do that, while going in for large-size ships, these shipping companies are in pursuit of suitable middle-size and small-size ships.

At one time, high-speed ships have been developed rapidly. Nowadays, the design speed of super-Panama ships under construction are between 25 – 27 kts on average. Latest statistics shows that the maximum speed of 8000-12000 TEU ships maybe reach as high as 30 kts. The aim of building high-speed ships is to compete with not limited other shipping companies, even airfreight carriers.

There are other else trends of international shipping industry in the near future. For example, the international shipping policies will tend to widely opened and more effective, and the merge and consolidation in the international shipping industry will continue. In addition, the standards and technologies on security and protecting the environment will be improved. I do not want to discuss that in detail on this occasion, because I believe every body sitting here are more concerned about China, especially now China is becoming the world engine in international shipping industry. So next, I would like to introduce some about current China and China’s shipping industry.

Since the late of 1970s, China has implemented the ‘opening-up’ policy. China’s

economy has kept the increase of above 7% for 12 years in term of GDP, even with SARS, the first half of this year has gotten 8.2% growth in term of GDP. And the foreign trade has maintained high growth rate. Following China's entry into the WTO in 2002, customs tariffs on cargo have been widely reduced. Foreigners are able to enjoy more favorable policies, thanks to the expanded implementation of 'opening-up' policies. Overseas funds have continued to flow into the nation, the total foreign investment hit a record high of US\$50 billion in 2002. More than 300 thousand foreign companies have set up individual or joint venture companies in China, and of all Fortune 500 in the world, more than 400 have already invested in china. China has actually become one of the most attractive nations worldwide in terms of actual use of foreign investment. The high-speed internationalization of Chinese economy provides good environment for Chinese carriers and overseas shipping companies. China's marine market has become highly open and drastically competitive.

For shipping companies to gain or to maintain a significant position as producers of transport and logistics services in a competitive environment, it is crucial, that competitive and exportable services be produced that can be offered in an increasingly international market.

- So, shipping companies first and foremost need to strengthen their core competitiveness by improving their operation strategies, organization system and management mode. Matching with corporate strategy is very important. The logistics services that we develop will be better supported by the corporation if it is related to core business — international shipments in containers.
- Besides, the global operation must comply with business ethics and industry standards, which include ensuring transparency of business operation and respecting local culture.
- For the sake of better returns for shareholders, society and environment, it is essential to maintain trustworthy relationships with customers, employees and partners.
- Policy issues also should be considered more. In order to arrive at competitive

situation it is crucial that policies are being pursued that aim at capacity building and removing obstacles for national operators. Those policies of competitiveness and thereby of raising the efficiency are intrinsically linked to liberalization processes. Government should improve in terms of laws and regulations as well as management policies to facilitate global shipping and logistics development.

In the end, as vice-Chairman of China Shipowners' Association, I want to thank the Malaysian Shipowners' Association for taking a keen interest in China's shipping industry. China Shipowners' Association is willing to do everything, which can strengthen cooperation with shipping communities around the world, help to build up the bridge of mutual trust and understanding among the business counterparts, and promote friendship in the common attempt to maintain sustaining and healthy development of global shipping industry.

Thank you!

October 6, 2003