

**We need more cooperation in the hard time**

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Sino-US Shipping Forum

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Honorable Minister Li Shenglin;

Honorable Deputy Administrator Caponiti;

His Excellency Ambassador Zhou Wenzhong;

Distinguished guests;

Ladies and Gentlemen,

Good afternoon. As a representative of Chinese shipping companies, it's my pleasure to attend this Sino-US Shipping Forum.

Shipping is in hard timing now. As we all know, world economy is facing challenges which did not happened before. The first sector hit by this recession is international trade. It has got tremendous impact on shipping business. Starting from the second half of last year, shipping has seen a dramatic decline, for example, on the trans-pacific liner service, ocean freight rate gets a drop of 40%, down to about 1000 US Dollars, touching the cost level. On the dry bulk sector, the market indicator, BDI, got a nosedive to 663 in December compared with the peak May 11,793. For the shrink of consumption in this country and Europe,

the declining auto sales affected car carrier business. I think LA and LB have more to say, they are experiencing a two digits declining in terms of container throughput.

So this is a special timing. Now what we need is sitting together, seeking ways of survival, sustainable development. This is a special occasion, as well. We need to review what we have done in the past 30 years, seeking new opportunities. We are facing with the same challenges, so it is more important for both Chinese and American shipping industry to seek further cooperation.

In the past 30 years, maritime trade has got fast growth between the two great nations. COSCO enjoyed the honor of making the “ice-breaking trip” 30 years ago. On April, 18<sup>th</sup>, COSCO ship, “Liu Lin Hai”, crossed Pacific Ocean and called Port of Seattle, the event marked an end of freezing time, then a new page of Sino-US relation was turned. The sailing was then reported as the second most significant event after Deng Xiaoping’s state-visit to the United States.

In the past 30 years, economic and trade relations between the two countries have developed significantly as a result of joint efforts from governments, enterprises and maritime industries. In 1979, bilateral trade was less than US\$2.5 billion. However, 2008 saw the figure of US\$334 billion, a remarkable increase. Now, China is the second largest trade partner of the United States, and its

fastest-growing trade market. The United States has also become China's second largest trade partner and export market.

Closely following the trade, shipping between China and the United States has continuously developed. In 1980, the two countries signed the first bilateral maritime agreement. In 1982, COSCO and its American partner established the first shipping joint-venture here. In 1988, a 10-year bilateral maritime agreement was signed. It had great impact on maritime trade relations between the two countries. In 1992, US shipping company established its first wholly owned subsidiary in China. In March 2004, the Federal Maritime Commission (FMC) granted COSCO and two other Chinese shipping lines the exemption of "controlled carriers". In April 2004, another new bilateral maritime agreement went into effect after five years of negotiations. It symbolized that maritime trade relations between the two countries had entered a new era. Trans-Pacific now becomes one of the three major global services, plus all-water services to east coast of America via Panama Canal. Container shipping volume between the two countries has reached 11.5 million TEU by 2008. Bulk shipping has grown remarkably as well. To take soybeans as an example, in 2003, China became the largest importer of American soybeans. More than 15 million tons of American soybeans were imported by China in 2008.

As a business advocate in Sino-US trade, 30 years

experience tells us,

First, the development of Sino-US economy and trade is the corner stone for shipping. We can see this in the development of COSCO business in the United States. On the one hand, the growing trade provides COSCO with increasing business opportunities. On the other hand, COSCO plays an important bridging role in promoting bilateral maritime trade relations. Now COSCO has got 15 regular container services covering both west and east coast of this country. At any time around the clock, you can see a COSCO ship calling this country. The bulk and general cargo fleet play an important role in grain and steel transportation between the two countries. In addition, COSCO has established several solely invested and joint ventures in the United States to provide inland transportation and logistics transportation services.

Second, the principle of mutual benefit and common interests is the basic of bilateral maritime trade relations. This is proved by the cooperation between COSCO and the ports of the United States. In 2002, the starting of a direct service to the Port of Boston by COSCO made headlines in the US. The port was to be closed as a result of withdrawal of other shipping lines. Upon the invitation of the Governor of Massachusetts, COSCO decided to start the direct service; this saved 9000 jobs in the New England areas. Chinese Premier Wen Jiabao spoke highly of this event on his visit to the United States

in 2003, saying this was an excellent illustration for Chinese enterprise to practice 'go global strategy'. This helped COSCO promote its image in the United States. In April 2004, James L. Oberstar, chairman of Transportation and Infrastructure Committee of the U.S. House of Representatives, delivered a speech on the development of Sino-US maritime trade relations and the development of COSCO at the Congress, highly valued the role of COSCO in promoting bilateral maritime trade cooperation.

Only the day before yesterday, Connecticut Maritime Association (CMA) selected me as the 2009 Commodore Award. It recognized the contribution of COSCO and it also recognized the efforts we made in seeking common prosperity in our maritime collaboration.

Thomas Jefferson once said , "I like the dreams of the future better than the history of the past." Today, we are here, not only to review , but to foresee the future. The development of the Sino-US trade and shipping is undergoing a hard time at the moment. From the perspective of Chinese shipping company, I'd like to offer my views on the future development of our maritime cooperation..

First, a clear-cut stand against trade protectionism is essential to promote the economic and trade relations between the two countries, so as to lay a solid foundation

in our maritime collaboration. In the difficulties of financial crisis, we may be questioned with the globalization and trade liberalization. Protectionism may probably come back. In our opinion, economic globalization and trade liberalization is the fundamental way to exploit each country's comparative advantages. It is the basis of the rapid, sustainable development of the world economy and trade in recent years, but not the cause of the global financial crisis. I believe further globalization and trade liberalization can save us. It is encouraging that President Obama has definitely clarified the stand of the United States against the trade protectionism. And we are confident about the prospects for economic, trade and maritime relations between us.

Second, we suggest the United States increase its investment in ports facilities and port dredging system, reduce port and inland transportation cost and assist shipping companies in the difficult time. For many years, the port and inland transportation has been a bottle-neck for liner operators. There has also been congestion in leading American ports during the peak seasons. Now, Obama administration is encouraging infrastructure investment to stimulate the economy, this might be a good opportunity for US shipping community to improve the infrastructure facilities. It is also a good opportunity for US government to relax the restrictions to attract foreign investment in such a financial difficult time.

In addition, the cost of inland transportation in the United States has been a dominant part of supply chain cost. Statistics indicate that, to transport a 40-foot box of soybeans, the cost of inland transportation in the United States accounts for 40% of total transportation cost from Chicago to Dalian, China. We are happy to see some American ports are cutting their charges now, we wish to see more, as well as inland transportation operators. Many other port operators in other countries are implementing a cost-cut plan. By doing so, we will be able to share the costs and overcome the difficulties together.

Third, Sino-US cooperation in new energy, security and environmental protection should be intensified to save energy, reduce green-house emissions and develop “green shipping”. In recent years, the international ocean-shipping circle has become aware of its responsibilities to save energy, reduce emissions, and protect and secure the environment. As an ocean shipping enterprise of a developing country, COSCO has done a lot in the abovementioned aspects. Between 2003 and 2007, we reduced fuel oil consumption by 35%, namely from 8.01 kg to 5.16 kg per thousand ton-miles. We also reduced the CO emission by 35.4%, from 24.83 kg to 16.05 kg per thousand ton miles. COSCO joined in the UN’s Global Compact in 2004. Last year, we participated in the UN “Caring for Climate” initiative. We are very happy to see that the Obama administration has proposed the development of new energy technology as one of the

major ways to fight the financial crisis. Since last year, we have started several research projects on new energy and new power. This will ensure a broad prospect for the cooperation between the two countries.

Ladies and Gentlemen,

History tells us a lot. Though we had difficulties in the past, we overcome all those challenges. Now I am quite confident that Sino-US trade will grow, absolutely. Shipping can step out of this trouble timing. To conclude my words, I would like to propose a 3C principle; they are Confidence, Cooperation and Communication. In a hard winter, staying separately can be cold; we need to sit together, seeking more cooperation between us.

When the winter comes, Spring would not be far away.

Thank you for your attention.