

Sino-US maritime relationship: looking back and ahead

——Speech on the conference for the 25th anniversary of M.V. LIULINHAI's
maiden voyage to Seattle

**Chen Hongsheng, Executive Vice President of
COSCO Group**

Thank you Mr. Sheldon.

Honorable Vice-Minister Hong Shanxiang, Chairman Blust,
Respected Mr. Qian Yongchang, Mr. Dinsmore, distinguished guests:

Good afternoon. On behalf of Capt. Wei Jiafu, President and CEO of COSCO Group, I'd like to express our thanks to all the participants attending this conference.

Our gathering here today is to commemorate a very special day. On April 18 1979, COSCO's M.V. LIULINHAI, fully loaded with the friendship between Chinese and American people, sailed through the vast Pacific Ocean, opening a new page of Sino-US maritime history. Today, I'd like to thank those American friends who had contributed to that successful sailing, especially Mr. Stan Barer and Mr. James Amoss whose efforts had resulted in the coming of LIULINHAI. I must also express my thanks to COSCO's friends in the Port of Seattle, who together with us witnessed the historic moment of LIULINHAI's docking. We also appreciate your high quality service for COSCO, thank you for your cooperation and partnership in the past 25 years.

It's worthy to say, the historic turning point 25 years ago indicates not only the end of an old era but the coming of a new one. In the last 25 years, with the combined efforts made by Chinese and American officials and entrepreneurs the bilateral economic and trade relationship have achieved tremendous progress. According to statistics of Chinese Customs, in the year

2003, the trade between China and the US has reached 126.3 billion dollars, 50 times higher than that of 25 years ago.

Driven by the growth of bilateral trade, the China-US maritime relationship has also developed continuously. The first Sino-US maritime agreement was signed in 1981. In 1982, COSCO's first ro-ro ship, ZHANGJIAKOU, initiated first monthly liner service between China and the US. In the same year, COSCO registered its first US subsidiary. In 1992, American shipping companies set up their first subsidiary in China. After a series of negotiation, the third Sino-US maritime agreement was signed last December, laying a strong legal milestone for the stable future of maritime ties between the two countries.

Compared with 25 years ago when there wasn't any container service between China and the US, the container trade volume in 2003 reached 5.9 million TEUs. Last year's growth rate is as high as 18 percent. To most of the global liners, the China-US trade has become one of the most important markets, and should never be neglected again, as the container trade volume of this route has accounted for 45 percent of the whole transpacific trade.

Earlier this month, we were glad to know that, FMC had approved the petition of three Chinese shipping companies including COSCO and given exemptions as to the 30-day waiting requirement for rate readjustment under "Controlled Carriers Act". We believe this will further promote the healthy growth of shipping business in both countries.

The Sino-US trade and maritime ties are important parts of the whole Sino-US relationship, and the shipping fleets of both countries are indispensable backbones to the bilateral trade and maritime relations. From the review of above history, we can see that, as a shipping group which owns and operates many types of vessels, COSCO always closely associates our growth with the growth of Sino-US trade and maritime relations. On the one hand, the

development of bilateral trade has provided COSCO with numerous business opportunities; on the other hand, COSCO plays a very exceptional role in the process of Sino-US relationship. COSCO is like a bridge across the ocean to link China with the United States, acting as an envoy between our two countries.

COSCO witnessed the maiden voyage of M.V. LIULINHAI to Seattle, M.V. ZHANG JIA KOU to San Francisco. Apart from that, COSCO also launched several liner services between China and the US West Coast and East Coast. Presently, COSCO has 12 weekly liner services on which our ships call at US ports regularly. The 5 vessels deployed on SEA service are COSCO's largest and most advanced full containerships at the moment, each having 5446-teu slots. And our 8000-teu containerships are coming very soon. I am proud to say that COSCO now has at least one container vessel berthing at US port everyday.

Besides container services, COSCO's bulk and general cargo fleets, also played an important role in transporting grains and steels and other cargoes between our two countries. To support shipping business, COSCO has set up several subsidiaries, to provide American customers with inland transportation and other logistics services. COSCO has also formed partnership with several US ports and terminal operators.

The above is a brief review of the history. There is an old proverb in China, saying "Gaining new insights through reviewing the old knowledge". Our gathering here today, I believe, is not only to recall the dream of yesterday, but also to look to the prospects of tomorrow.

Presently, the economies of China and the US are both on the growth track. The high complementarity between the two economies, together with the increasing willingness from enterprises of both countries to invest in each other's market, will stimulate the growth of bilateral trade in the future. The

trade growth will then lead to the growth of shipping volume between China and US. Shipping companies, port and terminal operators and other shipping related industries from China and US will all benefit from it. At the same time, the matured shipping capabilities will also provide strong transportation supports to business cooperation between the two countries.

As a key shipping company and logistics service provider, COSCO will keep pace with the trend of Sino-US trade and maritime development in the future. We will continue to strengthen cooperation with our American partners and customers, and to do our best to bridge, communicate and safeguard the development of bilateral relation.

The development strategy of COSCO in the new century can be described as follows:

Firstly, we plan to make great efforts to develop containership fleet and rectify the structure of our containership fleet, to build main haul and feeder service network, and to improve service standards by using digital information systems. We expect to double our container capacity in about 4 years and become one of the top 5 container carriers in the world.

Secondly, we plan to expand modern logistics business on the basis of integrating our global logistics resources within the group, and to make our logistics business a new source of profits. Our goal is to transform COSCO from a global shipping carrier to a shipping-based global logistics provider.

Thirdly, we plan to push the shipping and logistics business into the global capital markets, by listing COSCO shipping shares in the domestic and overseas stock markets.

Fourthly, we plan to establish the long term coordinated competition mechanism, by forming alliance, consortium and slot sharing partnership

with other shipping companies, and by seeking cooperation with ports and terminal operators, customers and etc.

COSCO's total ocean fleet ranks no. 1 in China and the liner fleet ranks No. 7 worldwide. As always, we will stick to our principle to realize a win-win situation between carriers and shippers. We're committed to promote a sustainable and stable development of the international shipping market.

On this special celebration, I sincerely hope that, COSCO could deepen the cooperation with our business partners present here today. We look forward to joining hands with you to create a brighter future for China and the United States.

Finally, thank you again for your support to COSCO Group. I wish you great success in every endeavor.

Thank you very much.