

Perspective of China-Australia Trade and Logistics Industry Developments

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Respected chairman, distinguished guests, ladies and gentlemen,
Good morning.

It is indeed my great honor and pleasure to present and speak at this seminar. Firstly, I must thank the Australian Business Limited and China Chamber of Commerce in Australia for inviting me to address here, because it gives me a chance to share with you how the China-Australia trade & logistics industry develop presently and in the future.

I would like to address this topic in four parts:

- I. The development of China-Australia trade
- II. The prospects of China & Australia's logistics industry
- III. The role of COSCO in promoting the China-Australia relationship
- IV. The prospect of cooperation between COSCO & Australian logistics industry.

1. The development of China-Australia trade

The trade between China and Australia can be dated back to the 19th century, when China began to import Australian iron ore and other commodities, but only after China and Australia formally establish diplomatic relationship that the bilateral economic and trade relationship began to develop rapidly. In 1972, the bilateral trade was only 72 million US dollars. After 30 years development, the bilateral trade in 2002 stands at 10.4 billion US dollars.

Presently, China is ranked as the third largest trading partner of Australia, the fourth largest export market and the third largest import origin country. Australia is ranked as China's eighth largest trading partner.

The rapid growth of bilateral trade between China and Australia should mainly owe to the complementarities between the two economies. Australia is rich in natural resources, with the reserves of iron ore, bauxite, aluminum, limonite, zirconium and lead respectively account for 14.9%, 37%, 33%, 22% 35% and 23% of world's total reserves. Australia is currently the biggest exporter of iron ore in the world. At the same time, China mainland, with a fast growing economy (average 7.5% yoy growth in the last decades) and huge demand of natural resources to meet the development of its economy, is offering a vast market for the Australian commodities. For example, China is currently world's No. 1 iron ore importer, one of its main origins is just Australia. In fact, not only iron ore, China is also a major destination of Australia's other bulk cargoes such as lumber, coal, wool, aluminum, natural gas, aquatic products, etc. In 2002, Australia exported 42.78 million tons of iron ore and 4.5 million tons of coal to China, accounting for about 38% and 42% respectively of China's total import.

On the other hand, it's worthy to say that China's export to Australia is another drive to the growth of bilateral trade. With abundant and experienced labor force, China currently not only exports a lot of primary, labor-intensive products such as textiles, machineries, metal products, but also exports technology-intensive products such as electrical products, telecommunication equipments to Australia.

2. The Prospects of China and Australia's Logistics industry

Just like what happened to China Australia bilateral trade, as the result of globalization, we have seen the fast growing of international trade in recent years. Its growth rate has even consistently outpaced the growth of world economy. With the sustained growth of international trade, logistics industry has made constant progress. With its ever expanding networks and its increasingly diversified services, the rationalized and scientific growth of logistics can not only play safeguard the development of international trade, but also save a lot of costs for the trade.

The invaluable role of logistics in boosting economic growth is also seen from the expanding of the multinational companies. At present, there are about 45,000 multinational companies around the world. With their total output and trade volume accounting for nearly 50% of global market, they are wielding ever-greater power in world economy. As their feelers reaching into every corner of the global market, their powerful logistics departments have managed to provide each of their factories with the best raw materials, the best processing equipments and best distribution and transportation services.

To my knowledge, the concept of logistics has been evolved in Australia since 1970s, and presently, it is estimated that freight & logistics industry represents approximately 9 percent of Australia's GDP, with the major logistics activities including transportation, storage and warehousing contribute 5 to 6 percent. Aiming to explores the future of logistic industry and its potential influence on the national economy, the Australian Federal Government announced in May 2003 to develop a Freight Transport Logistics Industry Action Agenda. It represents a significant importance of an efficient and effective logistics industry to Australian economy and a major emphasis the Australian government has placed on improving logistics performance.

Being one of the latecomers in developing logistics sector, China's logistics industry has made substantial improvement in recent years, both in related infrastructure, technology or management.

Firstly, in order to meet the requirements of the modernized and mechanized logistics industry, China have accelerated the construction of logistics infrastructure in the last few years.

Secondly, in order to improve the efficiency of the logistics industry, China has modernized related information technology.

Thirdly, for improving the management level of logistics industry, China

has adopted up-to-date management concepts.

Lastly, It worthy to say, after rapid growth, the total market value of China's logistics market is expected to reach 240 billion yuan (US\$29 billion) this year. According to prediction, this number will exceed 1,000 billion yuan (US\$120 billion) by 2010. For grabbing one spoon from this huge market, there are more than 100,000 logistics enterprises competing with each other presently.

3. The role of COSCO in promoting the China-Australia relationship

COSCO was set up in 1961, with a history of more than 40 years. From the day of it's beginning, COSCO is the largest shipping company of China. At present, COSCO owns and operates 540 vessels with the total DWT of 26 million. The vessels call at 1300 ports in about 160 countries and regions.

The main business scope of COSCO is shipping and logistics. As a global shipping group, COSCO aims to provide high quality of global shipping and modern logistics services to our clients worldwide.

Last April, when I visited USA, I firstly spell out "COSCO " in a different way:

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 logistic industry and consumers, COSCO's strategy is to enhance shipping business' competitiveness and to broaden our logistics service business, by optimising our corporate structure and making more efficient utilization of our global shipping and logistics resources.

Based on this strategy, COSCO attaches great importance to the

China-Australia trade. The role of COSCO in promoting the China-Australia relationship can be showed in two aspects:

i. COSCO acts as the bridge over the sea to link China and Australia.

ii. COSCO acts as a friendship envoy.

4. The prospect of cooperation between COSCO & Australian logistics industry.

Look into the future, the 2008 Beijing Olympic and rapid growth of demand for Chinese products in Australia will surely bring new opportunities for our logistics business in Australian market, whereas COSCO has committed to provide the Australian customers more efficient and higher quality logistics services.

On the other hand, COSCO will also like to develop cooperation with our Australian counterparts in China's logistics market. The rapid development of China's economic and trade created an excellent opportunity for the logistics industry. To meet the requirement of our customers, COSCO's logistics strategy is to expand business scopes from transportation to warehousing, processing, distribution and even further to manufacturing, to provide efficient and effective integrated logistics service, to enhance current status as a leading global carrier and to make COSCO as a global logistic service provider.

For carrying out this strategy, COSCO Logistics Co. Ltd. was founded on Jan.8, 2002. In just no more than two years, COSCO Logistics has quickly established a leading position in domestic logistics services on the basis of improved global sea-land-air multi-model transports, modernized large storing facilities, fast and reliable information transmission and high quality transport services.

In the past two years, COSCO Logistics has successfully contracted

large-size cargo transport projects for the constructions of the Three-Gorges Hydropower Plant, Qinshan Nuclear Power Plant, Tianwan Nuclear Plant and Shanghai Magnetically Levitated Rail. In addition, COSCO Logistics also participated transport projects for key national constructions of transmitting natural gas and electricity from the west to the east of China. Presently, COSCO Logistics is exploring China's logistics market in fields of electrical appliances, automotives, projects, exhibitions, etc.

We are confident that, just like COSCO Shipping, COSCO Logistics will eventually become a famous brand globally and will be a perfect partner for the Australian businessmen who is looking for potential growth in China's logistics market.

Now, before finishing my topic today, please allow me to express my thanks to all the organizers and guests for attending this forum again.

Thank you all.