# China Maritime Transport! A Worldwide Strength Favorable to Partnership

## النقل البحري الصيني! قوة عالمية مؤاتية للشراكة

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**Abstract:**

According to a presentation on a technical study of the project carried out by a South Korean engineering firm in collaboration with an Algerian engineering firm, and presented by the DTP of Tipasa, the strategic megaproject of the future commercial port of the El Hamdania, in Cherchell, generating nearly 200,000 jobs (direct and indirect), will be among the most important maritime infrastructures of the Mediterranean region and the African continent. This future commercial port, whose launch is expected in 2018 as part of an Algerian-Chinese partnership, should have the most intense traffic, enabling it to be included among the 30 most important commercial ports in the world… Yes! Algeria is partnering up with a great leader in this area which is the maritime transport, and this paper will demonstrate why China is the best ally Algeria can have.

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Thanks to the dynamism of the Chinese economy, shipowners carrying containers or bulk products were able to absorb in record time the effects of the crisis that had fallen in autumn 2008. But the Chinese world of "shipping" also took advantage of the situation.

Victims, after the recession of the world economy in autumn 2008, a collapse of the volumes of goods to be transported and the prices invoiced for their transport, the shipping companies specialized in the transport of containers had known in 2009 the worst year of their existence with an estimated loss of 15 billion dollars (the greenback is the reference currency in the "shipping") .A year later, they are preparing to sign in 2010 one of the finest vintages of their history.

How could these shipowners, in such a short time and with so little breakage (bankruptcies counted on the fingers of one hand), recover such a dangerous situation?

**Keywords:** Maritim transport, China, Strength, Partnership, Algeria

**ملخص:**

بحسب عرض تقديمي عن دراسة فنية لمشروع نفذها مكتب دراسات من كوريا الجنوبية بالتعاون مع مكتب دراسات جزائري، وقدمتها مديرية الاشغال العمومية لولاية تيبازة، المشروع الاستراتيجي الكبير لميناء الحمدانية التجاري في المستقبل، في شرشال. سيولد ما يقرب من 200000 وظيفة (مباشرة وغير مباشرة)، من بين البنى التحتية البحرية الأكثر أهمية في منطقة البحر الأبيض المتوسط والقارة الأفريقية. هذا الميناء

التجاري المستقبلي، الذي من المتوقع إنطلاقه في عام 2018 كجزء من الشراكة الجزائرية الصينية، حتما سيكون ذا حركة مرور مكثفة، مما يمكن أن يتم تضمينه بين أهم 30 ميناء تجاري في العالم ... نعم! إن الجزائر تشترك مع رائد عظيم في هذا المجال ألا وهو النقل البحري، وسوف يوضح هذا المقال لماذا الصين هي أفضل حليف يمكن للجزائر أن تمتلكه.

بفضل ديناميكية الاقتصاد الصيني، تمكن مالكو السفن الذين يحملون حاويات أو منتجات بكميات كبيرة من استيعاب آثار الأزمة التي سقطت في خريف عام 2008 ، ولكن العالم الصيني "للشحن" استفاد أيضا من الوضع.

ضحايا، بعد ركود الاقتصاد العالمي في خريف عام 2008، وانهيار كميات السلع المراد نقلها والأسعار التي تم تحرير فواتيرها لنقلها، كانت شركات الشحن المتخصصة في نقل الحاويات تعرف في عام 2009 أسوأ عام من وجودها مع خسارة تقديرية قدرها 15 مليار دولار (العملة الخضراء -الدولار الامريكي- هي العملة المرجعية في "الشحن"). لكن في غضون سنة واحدة، استعدوا للتوقيع في عام 2010 واحدة من أرقى الصفقات في تاريخهم.

كيف يمكن لمالكي السفن هؤلاء، في مثل هذا الوقت القصير وبالرغم من (حالات الإفلاس التي تحسب على أصابع اليد الواحدة)، أن يستعيدوا مثل هذا الوضع الخطير؟

**الكلمات المفتاحية:** النقل البحري، الصين، قوة، شراكة، الجزائر

## Introduction

In just a decade, China has earned a leading position in the global economy. At the 18th CPC Congress in 2012, President Hu Jintao stressed the importance of building China's economic maritime power. The Chinese maritime and port activity is the mirror of a tremendous economic change with export-oriented manufacturing industries and a huge demand for raw materials to support the rapid development of the country. The Chinese maritime industry (shipping, handling, shipbuilding) has therefore changed dramatically to become the world's first overall. A new era is beginning; it will undoubtedly be that of normalization of Chinese growth, but also of the internationalization of its maritime sector.

## A Wonderful Maritime Activity

Chinese maritimity has evolved dramatically in a decade. The coastal provinces are the privileged places for industrial development, which is largely export-oriented, while the country's enrichment is reflected in an accelerated equipment policy (real estate, infrastructure, automobile, shipbuilding) as well as energy consumption. which requires huge volumes of coal and hydrocarbons. The country is large and especially very populous (1.3 billion) is the equivalent of all developed countries (OECD) but only 1 / 7th of its GDP. Large margins of development remain, but very rapid economic and social changes are resulting in a growing productive fabric and major changes in the urban and social environment.

From a maritime point of view, what is striking is the contribution to international trade in manufactured goods since China's accession to the WTO in 2002. Subcontracting, relocations and autonomous industrial dynamics have made from China a formidable machine to produce manufactured goods. "Made in China" affects all consumers in the world and the decline in Western demand is partly offset by that of the rest of the world. This translates into colossal containerized flows with, in 2010, 37 M of full teu exported and 14 M of full teu imported. In 2012, the Chinese port figures indicate 177.7 M of teu handled. Between 2007 and 2012, the top ten Chinese ports went from 93 million teu to 139 million teu.

For supplies of raw materials, China has enormous needs often exceeding its extractive capacity. The country therefore weighs on all markets, generally accounting for well over half of global demand. In addition, price opportunities push them to sometimes too speculative imports, making the level of Chinese port stocks an integral part of the appreciation of global maritime markets.

The Chinese port balance sheet asserts that last year all the ports saw 10.8 billion tons of goods transited, which is twice as much as in 2005 and almost quadruple in 2012. This represents 2.5 times the traffics of the whole of the European continent including Russia and Turkey. Foreign trade weighs 3 billion tons, broken down into 500 Mt of containerized products, 745 Mt of iron, 100 Mt of iron and steel products, 290 Mt of coal, 40 Mt of bauxite, 70 Mt of grain, 270 Mt of oil, 100 Mt. Mt of refined products, 50 Mt of chemicals, 20 Mt of LNG. China's weight in world maritime trade is therefore substantial, 22% for tonnage transported and 33% for containerized flows. Nevertheless, growth in demand is stabilizing.

The domestic traffic is aprriori equivalent with 7.5 billion tons counted in the ports of departure and arrival. These include the redistribution of industrial products (cement, refining, chemical, metallurgical), regional trade and feedering of containers as well as supplies of coastal and river metropolises to coal from the North (640 Mt in 2012).

Thirty ports have more than 50 Mt, a dozen exceed 300 Mt, two 600 Mt (Ningbo Zhoushan and Shanghai). Over the years, port activity fueled by internal flows and supplies of imported raw materials has diversified, as has containerization, which affects virtually every port in the country.

International trade was first opened to coastal cities with special economic zones created by the Deng Xiaoping regime thirty-five years ago. Maritime trade has become widespread throughout the country, gradually involving the large and small ports of the coastal regions and the fluvial axes of two major rivers (Pearl River, Yangtze).

**The Growth of Maritime and Naval Tools**

Between January 2002 and January 2012, the Chinese flag fleet increased from 23 Mtpl to 56 Mtpl. The largest share is bulk carriers (31.4 million dwt) and oil tankers (12.7 million dwt), whose transportation capacities each tripled during this period. The container fleet (5 Mtpl) also tripled, while multi-purpose freighters (4.3 Mtpl) regressed, showing greater specialization in the maritime sectors. The volume of the Chinese fleet relies truly on a huge domestic market reserved (excluding the companies of Macau and Hong Kong).

The economically controlled fleet of Chinese interests represented 40 Mtpl in 2002 and 115 Mtpl in 2012, a quadrupling that can be compared to that of Chinese port traffic over the same period. In 2012, China's economic control of vessels was 43% under the national flag and 57% under third flags (23% in Hong Kong, 21% in Panama). In terms of ranking the maritime economic power, China was already 4th in 2002 and still was in 2012.

The growth of the fleet must be linked to that of the shipbuilding industry. In 1990, China was only the 10th largest manufacturer in the world, but rose to 3rd place in 2000. In terms of annual orders, China is the world leader since 2009 and delivery since 2010. Market share China in 2012 was 37% in the context of fierce competition with Koreans. The share of national sponsors is significant (21%) higher than in Korea (6%), but less than in Japan (41%). The Chinese occupy a prominent position, but with the lower-tech vessels, 44.5% of the order book in 2012 consisted of bulk carriers for the Chinese and international markets.

Nevertheless, Chinese shipbuilding is not doing well. The international maritime crisis is accompanied by too rapid growth (speculation, decentralization of this industry) The weak demand has led to a consequent sectoral crisis and Beijing is obliged to act, so we are talking about stimulating research and development innovation, to cover markets with better added value (containers, gas, offshore), to consolidate the actors.

With a huge port activity, a leading fleet and a leading shipbuilding industry, China must also be activated in another foundation of the Chinese maritime power that is financing. The announcement in 2011 of a Chinese policy to promote access to Greek arms financing must be understood as a policy in favor of national shipbuilding. Part of China's financial strategy is primarily related to this goal. Chinese banks and Exim (Export-Import Bank of China) are present; it is the context that remains special. China is a country of strict administrative control, a supervised economy (especially for heavy industries) and without easy convertibility of the currency.

Shanghai will serve as a test for an opening strategy for convertibility. Beyond, the coastal megalopolis has ambitions to become a platform of maritime services (financing, insurance, and brokerage). Competition is embodied in the Hong Kong Autonomous Territory, an international maritime financial center and traditional platform of the Chinese maritime fact with the capitalist and liberal economy.

### A Tissue of State Conglomerates

The People's Republic of China has adopted the "socialist market economy". On the one hand, private investment has spread in many parts of the Chinese economy in a context of internationalization (foreign investment, exports). On the other hand, public companies are engaged in the competition of the market and the financing (raising of stock market funds). The whole remains under the control of a very important political and administrative power with still complex national / local dimensions. The maritime sector is naturally concerned by this operation so particular whether it is public conglomerates or private or public outsiders.

China's maritime objective is twofold. The first relatively clear is to control as much as possible its flows which constitute a good part of the global activity especially as the shippers are Chinese. The second is the ambition to build a Chinese maritime economic power. This power must be present in bulk as in regular lines, but also make Shanghai an equivalent in Hong Kong and Singapore.

There are around 300 shipping companies in China, twice as many as twenty years ago, along with state owned groups, companies linked to local authorities (provinces, cities). Today, the five largest Chinese shipping companies control 70% of the country's transport capacity. For its part, the China Shipowner's Association (CSA) has only seven members, four of which are controlled by the Chinese state: China Merchant Group, China Ocean Shipping Co. (Cosco), China Shipping Co., Sinotrans & CSC Holdings Co. The other members of the CSA in the movement of provinces are Hebei Ocean Shipping Co., Fujian Shipping Co., Mingsheng Shipping Co. (Shanghai).

Founded in 1961, Cosco is number 3 worldwide in terms of fleet operated with many branches4. Most of the activity is included in Cosco Holding (HK side). Created on the basis of several maritime entities in 1997, China Shipping Group is the 6th largest company in the world with several subsidiaries5. Three entities are listed in Shanghai and Hong Kong (CSCL, CSD, CS Haisheng). Sinotrans was founded in 1950 to serve the foreign trade of the new China. It is primarily a logistics group that has a small fleet of container ships (Sinotrans Containers Line) and cooperates with MOL (Japan) in the field of vehicles and oil. In 2008, Sinotrans was united to China Shipping Changjiang (CSC) from the fluvial sector. One of the main subsidiaries is CSC Nanjing Tanker Corp. The rivalries of companies, origins and sites are detrimental to the company in difficulty. China Merchants has only one oil armament (CM Energy Shipping).

Among the local groups, Hebei Ocean Shipping Co. (Hosco) is essentially positioned on dry bulk, particularly because of its origin of the northern province which is closely linked to coal flows. SITC in the container comes from the provincial interests of Shandong. Grand China Logistics of the HNA (Air) Group is linked to the power of the island province of Hainan in the South; its subsidiary Tianjin Shipping is active in oil and gas

The structure of Chinese shipping is ultimately relatively simple with two major conglomerates (Cosco and China Shipping) and a handful of other players. There is certainly the State shareholder, but above all independent strategies based on stock quotes in Shanghai or Hong Kong. We find the double mark that characterizes the Chinese economy both state and adopting parts of the liberal economy. The weight of centralism in the face of often highly autonomous provincial powers, the rivalries of companies, the link with Hong Kong capitalism, the complex access to the national economic system are all particularities that characterize the bases of the Chinese maritime.

**Build reference companies**

The temptation to restructure the Chinese shipping companies is permanent especially to make them international actors of reference. Nevertheless, it is clear that the public ownership of a socialist state and the protectionism of the national market are not the best ways to make Chinese companies successful international competitors, especially since they have to accept the rules of the stock and maritime markets.

In containers, the Chinese situation is good. In 1995, Cosco reached fifth place in terms of operated capacity and never left the top 10. In September 2013, Cosco was ranked in the same position with a fleet multiplied by four since 2000. China Shipping Container Lines, active internationally in 1999 was first a small armament before rising to the highest, 9th today, after having multiplied by seven its capacity.

Cosco is a giant, but is also part of the Asian competition against the three European leaders (Maersk, MSC, CMA, CGM) soon in a commercial alliance ("P3"). A rapprochement with CSCL is regularly mentioned, but China has the means to have two major operators, Korea and Japan have several private maritime conglomerates. In fact, Cosco is an established armament whereas CSCL plays rather the role of outsider. In 1998, Cosco joined K Line and Yang Ming in an enlarged alliance in 2003 of Hanjin. The CKYH alliance that Evergreen has come closer to is one of the commercial blocks that federate most operators. CSCL remains independent, but has moved closer to another free alliance player, UASC. Companies have commonly engaged in orders of 18,400 teu.

The two groups share today worrying financial results since negative in 2011 and 2012. For Cosco, it is perhaps one of the biggest known losses of the maritime industry (-1.3 billion € in 2011, -1.2 billion € in 2012) accumulating difficulties in containers and bulk. As a result, Cosco Holding is under threat of suspension of stock exchange listings in Shanghai and Hong Kong in the event of a third year of loss. Asset sales between entities aim to restore the holding company's cash position, but at the risk of worrying stock investors. Of course, the Chinese state guarantees the survival of the leading group, but it is the economic consideration in the liberal market of Cosco. CSCL also played on its structures, the separation of the branches of containers and bulks avoided the contamination of losses to the whole group.

Companies have a very different image. China Shipping for the heaviest is essentially positioned on domestic flows with own ships while displaying a dynamic image in the container. Cosco remains a player in the container with no particular relief and has mostly made bad choices in the bulk by signing charter contracts at very high rates. The attempt in 2011 to renegotiate its long-term charter parties has tarnished the group's image by treading on one of the market principles that is the assumed risk. The armament has nevertheless reduced its exposure by renegotiating its contracts and reducing its fleet of bulk carriers to the point of offering the Japanese NYK its crown of first dry bulk operator (it remains the first owner).

**Control of International Terminals**

The development of Chinese interests in handling terminals is a subject that often goes beyond maritime transport when it is taken as part of a supposed Chinese strategy to expand its influence in the world. In fact, the Chinese maritime players are gaining momentum and their port positioning in the world is evidence of the country's growing economic power, from which geopolitical lessons can be drawn. Nevertheless, the first reading must be that of the maritime groups' economic development strategies.

The two main shipping groups own their container handling subsidiaries. Cosco Pacific is a Hong Kong-listed company of which Cosco Holding still holds 42.7%. The Chinese inking in Hong Kong is strong, but the relatively limited international positioning and that of China Shipping Development Terminals is equivalent.

The most interesting is in the development of China Merchants. Highly engaged in Chinese terminals with local or international players, CMHI partially owns one of Hong Kong's cargo handlers and has rapidly expanded its positions around the world. First with African ports: (Lagos, Lomé, Djibouti), then with the construction and management of a new terminal in Colombo (CICT 85%). CMHI associated with Cosco and CS took 30% of the Kao Ming terminal of Kaohsiung (Taiwan). There is a commitment to a project in Tanzania while the one in Vietnam is suspended due to the tension between the two countries in the South China Sea. Last but not least, the Chinese group has acquired 50% of Terminal Link, a subsidiary of CMA CGM with its numerous locations in Europe, North America and the Far East. With this acquisition, CMHI becomes a real international player even if it is mainly a matter of capital and not direct management of terminals.

The rest of other elements that feed the international press and the famous fantasies of a Chinese strategy of global implantation, a new Gwadan port in Pakistan was built by China State Construction Engenering Corp. and of which a subsidiary China Overseas Ports Holding is a shareholder alongside the giant operator PSA. An anxious reading of Chinese equities, associates the Pakistani port, the Colombo terminal and the Burmese-Chinese pipelines with the Chinese "pearl necklace" around India. Likewise an official trip to Iceland and the use of the northern route by a Cosco ship reveal Chinese interests for the Arctic passage.

**Control of National Markets**

China in 2012 imported 270 Mt of crude oil. Part of the supply is through large tanker charters (VLCCs) made by Chinese charterers, primarily PetroChina and Sinopec (via Unipec). In this context, the government's goal is for half of this market to benefit national shipping companies. The share is already 40%, this market share is concentrated almost exclusively on supplies from the Persian Gulf. Other supplies, particularly from West Africa, benefit much more from international players.

The maritime challenge is notably in a multiplication of sources of supply over long distances (South America, Mediterranean) what the maritime market sees positively for the demand for ships. However, the growth of China's naval oil tool is not a good sign for international players. Already, the Chinese fleet of VLCC was at the end of 2012 of 60 units (3rd world fleet), and it evokes a command of 50 units by the different Chinese groups.

The question of genuine protectionism came up with the banning in the Chinese ports of the giant ore companies of the Vale group. These 400,000 dwt units (built partly in China) aim to offer the Brazilian iron a logistical competitiveness against its Australian competitor. However, the Chinese shipowners obtained in 2011 from their government a ban on ships of more than 350,000 dwt for security reasons. The lifting of the ban is in question. The regulatory temptation to favor national armaments is a latent threat. In the summer of 2013, the press spoke of the Chinese authorities' desire not to let the prices of containerized transport be too unfavorable for the actors.

## Conclusion

Sino-Algerian cooperation; The Chinese want to consolidate their presence in Algeria

The port project which initially involved the completion of the port itself and a penetrating highway linking it to the east-west highway was to cover an area of 749 hectares. But now 3123 hectares of land will be consumed by the project. These hectares have been declared of public utility, according to this decree.

This significant increase of the surface allocated to the realization of the port is explained by the addition to the initial project of three industrial zones which will be realized in localities of the wilayas of Blida and Tipaza. The areas of these future industrial areas will be 850 hectares, 870 hectares and 280 hectares.

The decree also formalizes the project to build a rail service that will link the new port to the El Afroun railway station. The 38.6-kilometer long railway will consume 291 hectares of land.

The 38.5-kilometer highway project, already included in the initial plan, saw its footprint rise from 285 hectares to 367 hectares. An increase due to the addition to the initial project of two service areas and three toll stations.

The port project itself has not changed since the last executive decree of February 2017. The ambitious project plans the construction of 6320 meters of quays for 24 stations and a port water plan of an area 400 hectares.

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