



## International competitors and Chinese ports

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### Abstract

The aim of the paper is to inquire on how and why large liner shipping companies and international terminal operators have achieved power over Chinese ports.

Liner shipping companies and large terminal operators are fighting for control over the extensive web of commercial relations that China has set up within a short span of time in Asia, acquiring space in the terminals. The increase of throughput in the Chinese ports also underlines the need for the development of ports infrastructures, services and high level of management.

Firstly we describe the network of trade through which China is engaged in commercial relations with the rest of the world, and in particular with the other Asian countries. Secondly we underline the structural and management peculiarities of most important ports of the three main Chinese zones and the presence of large lines companies and terminal operators. Thirdly we outline in short the cooperative action shown by the Chinese and by the great liner shipping companies to jointly manage the Chinese ports.

*Keywords:* Ports; Shipping companies; Sea transport; Joint ventures.

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### 1. The extensive web of commercial China relations

The intensification of the international division of labour is taking place at a worldwide level but also within the three areas of worldwide economic influence, namely Asia, Europe, the Americas as a result of multilateral trade agreements (Nafta, Mercosud, Afta-Asean, UE etc.<sup>1</sup>).

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<sup>1</sup> *Nafta* includes Usa, Canada, Messico; *Caricom* includes Caribbean islands excepted Cuba; *Andean Pact* includes Bolivia, Colombia, Equador, Peru, Venezuela; *Mercosur* includes Brazil, Argentina, Uruguay, Paraguay; UE + Messico; *Efta* includes Norway, Island, CH, Liechtenstein; *UE* includes 15 new countries; *Gulf Cooperation Council* includes Bahrain, Kuwait, Oman, Qatar, South Arabia, Emirates; *Sacu* includes South Africa, Botswana, Lesotho, Namibia, Swaziland; *Saarc* includes India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan, Maldives; *Afta-Asean* includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippine, Singapore, Thailand, Vietnam. We can note that China wants achieve an agreement with Saarc e Afta-Asean to strengthening intra-Asiatic trade. Japan has an agreement only with Singapore. Some experts consider that 'regionalism' shelves WTO 'multilateral' efforts, others that

It is thus important to underline that the influence of Chinese development is crucial not only for maritime trade with the West, but also within one particular zone of the three economic zones that make up the present-day world, namely that of Asia.

The importance of maritime trade within Asia is confirmed by the numbers in Tab. 1a and 1b which show that among countries that trade with China as suppliers /users of raw materials, semi-finished products, products and also as final consumers, a prime role is played by Asian countries, all of which are strongly linked to maritime services<sup>2</sup>.

Table 1a: Chinese import 1998-2002 Billion US dollars and var. %.

Range	Country	1998	1999	2000	2001	2002	% total 2002	VAR.% 02/01
	Total	140,4	165,7	225,1	243,6	295,2	100	21,2
1	Japan	28,3	33,8	41,5	42,8	53,4	18,1	25,0
2	Taiwan	17,0	19,5	25,5	27,3	38,0	12,8	39,2
3	Korea	15,0	17,2	23,2	23,4	28,5	9,6	22,2
4	U.S.A.	16,7	19,5	22,4	26,2	27,2	9,2	3,9
5	Germany	7,0	8,3	10,4	13,7	16,4	5,5	19,3
6	Hong Kong	6,7	6,9	9,4	9,4	10,7	3,6	14,0
7	Malaysia	2,7	3,6	5,5	6,2	9,2	3,1	49,8
8	Russia	3,6	4,2	5,8	8,0	8,4	2,8	5,6
9	Singapore	2,7	4,1	5,1	5,1	7,1	2,4	37,5
10	Australia	4,2	3,6	5,0	5,4	5,8	1,9	7,8
11	Tailandia	2,4	2,8	4,4	4,7	5,6	1,8	18,8
12	<b>Italy</b>	2,3	2,7	3,1	3,8	4,3	1,5	14,2
13	Indonesia	2,5	3,1	4,4	3,9	4,5	1,5	15,8
14	France	3,2	3,8	3,9	4,1	4,2	1,4	3,6
15	Canada	2,2	2,3	3,7	4,0	3,6	1,2	-10,0
16	UK	2,0	3,0	3,6	3,5	3,3	1,1	-5,4

Source: World Trade Atlas. ICE Pecking Database

In conclusion, the extensive web of commercial relations<sup>3</sup> that China has set up within a short span of time indicates the complexity of the maritime legs that involve China, and justifies the battle between the liner shipping companies in their attempt to acquire

'regionalism' helps free trade, others that 'regionalism' set up chaotic trade agreements. USA try to achieve bilateral agreements to deteriorate the solidarity of emergent countries.

<sup>2</sup> Japan is the first supplier of semi finished goods to China, followed by Taiwan, South Korea, and then Hong Kong, Malaysia, Singapore, etc.

With regard to the export trade, the USA ranks top of the list as China's main purchaser, but China also has a thriving export trade to Hong Kong, Japan, South Korea and then Singapore and Taiwan.

<sup>3</sup> This on the one hand demonstrates the growth of the Chinese liner shipping companies and on the other hand it implies that the China is opposing Japanese domination in Asia also at sea. The fact that China is becoming the driving force of the Asian economy is closely linked to the positive factors which, together with China's own internal resources in terms of raw materials and its geographic extension, have favoured its particular type of growth (liberalization of the economy, favourable attitude towards direct foreign investment, high propensity to save and to invest, the link with the US currency, fairly satisfactory balance between imports and exports etc.). These factor, apart from the low labour costs, are different from those that previously motivated Japanese development or, more recently, the development of the Indian economy. The difference is that the Chinese economic growth model is not based essentially on exports, because domestic demand within China also plays a major role.

space in the terminals. China's new commercial network calls for increasingly reliable infrastructures, qualified management of ports and maritime services. The *growth* of Chinese maritime services out of the worldwide share rose from little more than 5% in 1983 to roughly 14% in 2003. (Source: FMI, database 2003).

Table 1b: Chinese exports 1998-2002 bill \$ - var. %.

Range	Country	1998	1999	2000	2001	2002	% total 2002	VAR. % 02/01
	Total ↓	183,8	194,9	249,2	266,9	325,6	100	22,3
1	U.S.A.	38,0	41,9	52,1	54,3	69,9	21,4	28,9
2	Hong Kong	38,8	36,9	44,5	46,5	58,4	17,9	25,6
3	Japan	29,7	32,4	41,7	45,1	48,4	14,8	7,8
4	Korea	6,3	7,8	11,2	12,5	15,4	4,7	23,8
5	Germany	7,4	7,8	9,3	9,8	11,3	3,4	16,6
6	TheNederlands	5,2	5,4	6,7	7,3	9,1	2,7	25,1
7	UK	4,6	4,9	6,3	5,8	8,1	2,4	18,9
8	Singapore	3,9	4,5	5,8	5,8	6,9	2,1	20,3
9	Taiwan	3,9	3,9	5,0	5,0	6,5	1,9	31,7
10	<b>Italy</b>	2,6	2,9	3,8	4,0	4,8	1,4	20,9

Source: World Trade Atlas ICE Pecking Database

## 2. Consequences of the great increase in containers in Chinese ports

By virtue of its ports China has now reached a world-class position for container traffic. All the ports are experiencing a great increase in container movement. As a consequence all the ports are aiming at developing not only their own infrastructures but also the necessary management of the ports.

Shanghai has become the third world port for container throughput and Shenzhen the fourth in a tremendous upsurge. See tab. n. 2.

Table 2: Rank of the world ports (TEU 2003).

1-Hong Kong	20.000	+4%
2-Singapore	18.300	+8%
3-Shangai	11.280	+31%
4-Shenzen	10.800	+42%
5-Busan	10.370	+11%
6-Kaohsiung	9.000	+6%
7-LosAngeles	7.020	+7%
8-Rotterdam	7.005	+7%
9-Amburgo	6.003	+11%
10-Anversa	5.450	+14%

Source: Containerisation International 2004

The ports in the following table are the top 10 in China and maintained the same ranking in 2003, although the quantity of containers handled once again rose sharply.

Table 3: Top 10 Chinese ports up to December 2001.

Grade	Port	Mil TEU	% Growth prev. year
1	Shanghai	6,3304	112.8
2	Shenzhen	5,0745	127.2
3	Quingdao	2,6385	124.4
4	Tianjin	2,0110	117.7
5	Guangzhou	1,6283	113.8
6	Xiamen	1,2948	119.4
7	Ningbo	1,2131	134.5
8	Dalian	1,2089	119.6
9	Zhongshan	0,5464	108.0
10	Fuzhou	0,4176	104.3

Source: International Economic and Trading Information, 19 January 2002.

The construction of ports has been the government's *prime objective* in order to ensure both the import of raw materials and machinery and, in a further period, the export of its own goods in containers. At present, however, the government policy is changed: now for ports foreign investments and management are favoured.

As a consequence Chinese Authorities want to increase their relationships between the Chinese ports and the liner shipping companies/terminals operators (particularly from Hong Kong). From the point of view of foreign companies, they want to achieve not only the control of the throughput of the Chinese containers but also of the large web involving the Chinese trade by the means of a cooperative behaviour.

China may be divided into *three large productive zones* that are equipped with ports.

The zone in the north has Dalian, Tianjin (port of Peking) and Quingdao as ports of reference.

The central area has the great port of Shanghai, followed by Ningbo and Xiamen off the island of Taiwan, as ports of reference.

The southern zone relies on the ports of the province of Guangdong, namely the traditional port of Canton or Guangzhou and the three ports of Shenzhen. The most important port cities of China therefore extend from north to south and all have free zone depots (ICE, 2002; Guangdong Statistical Yearbook, 2003).

China needs to enlarge the ports, to fit in new equipments and to manage them with high level of experience.

### **3.The decisive presence of international liner and terminal operators companies in Chinese ports.**

The port of the city of **Dalian** in the north is near to North Korea at the tip of the Liaotung peninsula, which represents the furthest point of Manchuria (fashion industry and components production, raw materials). The Singapore Port Authority (PSA,

Singapore) manages 8 berths. The port of Dalian is the gateway to the regions of the north, the traditional centre of China's raw materials.

The port of the city of **Tianjin** in the north is situated on the Yongdinghe River less than 50 km from the mouth of the river. It is the port for Peking, about 100 km away (import-export of raw materials and products). It is managed by the American company CSX World Terminal in joint collaboration with the Port Authority and the Anglo-Dutch P&O.

The port of the city of **Qingdao** in the north, a former German protectorate located south of Tianjin, is situated on the Yellow Sea in the north east off South Korea (typical products served by the port are: beer, mineral water, metalworking and many other products); the Danish company APM Terminals manages 20% of the port's terminals. The forecast for 2004 amounts to 4 million TEU.

The port of the city of **Shanghai** in the centre is the largest traditional port of China. The port is on the River Yangtse (which has only 8.5m. of draught and so the city is reached by barge). The Shanghai Container Terminal SCT, the largest terminal, is managed by a joint venture between Shanghai Port Authority and the Hutchison Port Holdings of Hong Kong.

Hutchison is the company with the most shares in Chinese ports<sup>4</sup>. The port reached around 10 million TEU in 2003 (all types of freight). However, post-Panamax ships, i.e. ships larger than the Panama Canal, cannot dock at the port of Shanghai. This is a severe limitation because all modern container vessels show a marked tendency towards gigantisms in order to achieve economies of scale and rapid services by using the hub and spokes system. The port therefore needs new terminals and dredging for full-container ships of 6000/7000 TEU and over.

The new port will be built to a colossal design on the island of Yangshan in the bay of Hangzhou and will be 15 metres deep, with a 30 km bridge joining it to dry land and to Shanghai. It will have 52 terminals covering an area of 45 km<sup>2</sup>; when it is finished, in 2010, it will be able to receive over 15 million TEU.

In addition to the Chinese shipping liner companies Cosco and China Shipping, the Danish company Maersk of the Moeller Group - the largest worldwide shipping company - as well as the Anglo-Dutch P&O ports and the American CSX World Terminals will all be involved in financing the new port and managing the terminals. The existing port has many services with the Mediterranean.

The port of the town of **Ningbo** in the centre is about 150 km south of Shanghai, and boasts a container port which showed a strong, roughly 50% growth in 2003 (toys, textiles, handicraft, light industry items). It will be capable of receiving 8200 TEU ships from the French-Chinese company CMA-CGM as it is 17 m deep.

Another company worth mentioning is Hutchison Port Holdings which, as noted above, has the highest number of investments in Chinese ports and terminals. In fact, at the start it held a virtual monopoly on account of its advantageous position in Hong Kong.

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<sup>4</sup> Shares of Hutchison Whampoa in Chinese ports: 1-Shanghai Container Terminals (group's interest 37%), Shanghai Pudong International Container Terminals- Waigaoqiao phase I (group's interest 30%). 2-The Ningbo Beilun International Container Terminals (group's interest 49%). Moreover: the Hutchison Delta Ports (Pearl River Delta Ports in Southern China ) has six joint venture river and coastal ports in 3-Jiuzhou, 4-Nanhai, 5-Gaolan, 6-Jiangmen (group's interest 3+4+5+6=50%), 7-Xiamen (group's interest 49%) and 8-Shantou (group's interest 70%). Source: Annual Report 2003 Hutchison Whampoa Limited, Operations Review Ports and Related Services.

The port of the city of **Xiamen** in the centre is on an island near the coast and is just 5 miles off the coast of Taiwan. It is linked to the mainland by a bridge with an airport and a fully equipped port (it handles extensive traffic including marble, granite and various products). The port is managed by Hutchison Port Holdings. We have to note the strong presence of Hong Kong societies in the Chinese ports in the northern zone as well in the southern zone of the country.

The port of the city of **Guangzhou (Canton)** on the Pearl River in the Guangdong is the port nearest to the manufacturing industries of the Pearl River Delta. South of the port of Canton is the city of Shenzhen and, still further south, Hong Kong.

The large liner shipping company Singapore PSA purchased 49% of Guangzhou Container Terminals in 2001; the remainder belongs to Guangzhou Harbour Bureau. In 2002 more than 120 million US dollars were invested in the port for improvements to infrastructures and transport, even though draught is still poor at only 11.5m at low tide. Owing to the shallow draught the port of Canton cannot really compete with Shenzhen and Hong Kong. There are plans for it to be dug out to 13.5 m. (and to maintain that depth by combating silting that affects ports on the mouth of a delta) in order to allow 4000 TEU ships to dock, because it is nearer to inland manufacturing areas, it is a cheaper port and inland transport distances are shorter and therefore less costly. But it is unlikely that the river could be dug out to more than 13 metres in depth; the port of the great district of Canton thus remains convenient only for small-medium tonnage vessels that *serve intra-Asia and Australia-Asia traffic*.

However, substantial investments are being made in the various terminals and on the docks in the port of Canton. In 2003 the port reached around 2 million TEU and aims to reach around 4 million in 2005.

The Guangzhou Container Terminal is the third important project in which PSA is investing in China, because it has a strongly developed inter-regional trade with Singapore and Japan which is complementary to its business activities. Moreover PSA engages in considerable intra-Asian trade from Singapore.

**Shenzhen** is the second port city in the Guangdong region on the Pearl River Delta. It is nearer to the sea compared to Canton and lies just 20 nautical miles north of Hong Kong (around 40 Km).

Shenzhen has not one port but three: Yantian, Chiwan and Shekou.

The total growth of containers in the 3 ports of Shenzhen has been considerable, reaching 10,800,000 TEU in 2003. Shenzhen holds fourth world position for container traffic after the Chinese port of Shanghai, which ranks third after the hub ports of Singapore and Hong Kong (see tab. 2&3). Yantian is seeking to become the hub port for Guangdong, rivalling the largest hub<sup>5</sup> port in the world, that of Hong Kong.

The other 2 ports remain below one million TEU and for now are mainly feeders for Hong Kong or rather complementary to Hong Kong.

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<sup>5</sup> Hubs are ports which have seen massive investment in technology designed to cut container handling time, and they are endowed with deep draught enabling them to receive increasingly large mother ships with which they can obtain greater economies of scale. Hub ports are the reference point for collecting container goods from very extensive areas using the hub and spokes system. There is fierce competition among the world's largest liner shipping companies, in a tough battle to eliminate competitors and take control of container trade in the area

Table 4: Containers handled in the 3 ports of Shenzhen, '000TEU.

year	total TEU	Shekou SCT	Chiwan CCT	Yantian YICT
1994	177,9	87,1	9,1	13,3
1995	283,6	89,9	31,4	105,7
1996	589,0	89,9	49,6	353,5
1997	1,147,3	214,8	150,2	638,4
1998	1,951,7	463,1	203,3	1038,0
1999	2,986,5	574,1	350,1	1588,1
2000	3,993,7	721,0	450,0	2146,0
2001	5,074,5	753,6	643,7	2752,3

Source: Shenzhen Port Authority 2002.

Shenzhen, as stated, has three ports:

The port of **Yantian** with YICT container terminal already reaches about 15 metres draught and will reach 16. The growth of the container terminal of Yantian is particularly impressive, rising from 13,000 TEU in 1994 to 2,753,300 in 2001 and over 4 million TEU in 2003 (Source: Containerisation International).

Yantian International Container terminal (YICT) is owned to the extent of 50.5% by the company which owns the majority of Chinese terminals: Hutchison Port Holdings Group (which also owns the HIT terminal of Hong Kong, i.e. the largest terminal of that port). It can already receive ships up to 5000 TEU owing to its generous depth of over 14 metres.

The Chinese company Cosco and all the large international companies are customers of the terminal.

The port of **Chiwan**, with the CCT container terminal, which is the most important, has a draught of about 14.5 m. It is situated west of Shenzhen, and is managed by Modern Terminals Limited of Hong Kong, a terminal management company owned by the important China Merchant Holdings of Hong Kong. The latter company has investments in all sectors of Chinese ports and land logistics. The port handled less than 1 million TEU in 2003.

The terminal has made an agreement with the barge transport companies of the Delta to set up a joint service. Such barges transport containers from large and small company scattered through a complex district. The terminal is situated about 7 km. from Dachan Bay, where American investment by CSX World Terminals is expected (this company is the most recent newcomer in this type of business in China but it already boasts substantial achievements). The aim is to build a container terminal because Shekou and Chiwan cannot expand any further west in the Pearl Delta due to lack of land.

The port of **Shekou** (SCT terminal) handled about 800,000 TEU in 2003. Here too digging is under way to achieve a draught of 15m., with plans for a further increase to 17m in the future<sup>6</sup>.

The Anglo-Dutch company P&O manages the terminal as a joint venture with MTL (Modern Terminal Ltd owned by China Merchants, Hong Kong) and in co-ownership with Swire Pacific and Cosco. The Israeli ZIM is the port's leading client.

These two ports, Chiwan and Shekou, remain below one million TEU and for now are mainly feeders for Hong Kong or rather complementary to Hong Kong<sup>7</sup>.

<sup>6</sup> In 2003 a further 700m of dock was built for a container terminal, which will be followed by another two; in the future there will be 22 dock cranes.

#### 4. Co-operation and Chinese ports.

All the largest international maritime operators and liner shipping companies take *part both in the management and in plans for expansion* of all the ports and terminals that handle Chinese containers. We have examined their impressive presence in all main Chinese ports. They are engaged in a complex policy the winner of which will be victorious in terms of influence on Chinese ports (and in terms of profit from the strong throughput of containers).

For the time being the companies are following a flexible policy whereby, on the one hand, they act as the best, traditional suppliers of maritime services and complementary services while, on the other hand, they are expanding their direct control over all Chinese ports in a policy of expansion that includes investments in infrastructures offered. Chinese authorities and foreign companies are both keen to strengthen the collaboration in terms of planning and developing the container terminals. This coalition is definitely helpful in getting the best out of combining commercial expertise of foreign societies with the huge market and resources of China, to the benefit of both sides. At present, the Chinese government does not believe that the direct Chinese 'management' of the terminals is of strategic importance, since analysts have assured double figure annual growth of containers for all the ports.

Liner shipping companies, foreign operators and operators from Hong Kong<sup>8</sup> are investing enormous sums of money in rebuilding and deepening the Chinese ports in preparation for the arrival of increasingly large vessels. In addition they manage the ports as a joint venture with full approval and collaboration of the port Authorities and local Authorities .

This is significant because it shows the flexibility of the Chinese approach, which awards priority to efficiency and the ability to attract trade, an ability already confirmed by the experience of foreign companies which manage the ports in joint ventures (Yuan Lu, ed. Child J., 1995). This approach is clearly cooperative. A cooperative strategy is the attempt by organisations to realise their objectives via cooperation with other organisations, rather than in competition with them. The cooperative strategy puts its focus on the benefits which can be obtained through cooperation and on how to manage the cooperation in order to achieve them. The Chinese authorities have chosen a soft strategy which offers significant advantages for Chinese ports which are lacking in experience, particular competencies or resources. The cooperation may offer easier

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<sup>7</sup> The two smaller ports of Shekou and Chiwan compete with one another as well as with the large port of Yantian and with Hong Kong. In contrast, the three ports of Shenzhen are not in competition with Canton (Guangzhou), as the latter can receive only small or medium sized vessels because of the shallow draughts and problems of silting up.

Together, the Delta ports form a network that offers a diversified range with regard to depth, amount of equipment and number of berths. In the Delta ports one finds a clear distinction between *full container inter-oceanic* high tonnage traffic that requires deep ports of over 14-15 metres in depth, with huge dock aprons, versus *small-medium sized ships dealing with intra-Asian* and Asian-Australian traffic. Each port has its own specific characteristics, even if all of them are aiming to achieve greater depth in order to receive larger vessels.

<sup>8</sup> All the infra-structural investments in Guangdong take into account the proximity of Hong Kong. Although Hong Kong is more expensive, it provides high level of general offer, insurance and banking services etc. that are still only scantily available in Guangdong and are often run by Hong Kong companies.

access to new technologies (in favour of China), to new markets (in favour of foreign companies), and opportunities for mutual synergy and learning.

China is the magnet for international port investors in what promises to be a very tough battle, in particular if one bears in mind, that as from the end of 2004 they are allowed to become a majority share-holder in the terminals. Foreign companies were in effect previously restricted to holding a less than 50% share of a mainland terminal structure, but the Chinese government (which obviously retains the 'state ownership' of port land) has gradually taken measures to alleviate this rule in the run-up to the generalised opening set for 2005.

This more lenient approach is motivated by the advantage of having experienced, foreign companies both as investors and as management and also to attract ships and containers. However, the maritime shipping companies and international terminal operators state that despite the 'liberality' in the management of investors, duties on freight severely restrict final profits.

The government therefore on the one hand encourages foreign investors and joint management and on the other exploits them. But investors in container terminals nevertheless *believe that it is to their advantage to move into hub and feeder ports in China*, where growth in production and of import/export containers is undergoing a strong increase<sup>9</sup> and opens up the prospect of long and remunerative contracts (through which the companies will recoup their investments and will increase their market power), by providing services and cooperation for the great international manufacturing producers in China.

Given China growth in manufacturing and its high export rate, various foreign terminal managers already established in the hub port of Hong Kong have invested heavily in the Chinese ports and in three (prevalently feeder) ports of Shenzhen. This demonstrates that they intend to build up a favourable context for establishing activities in the area, whatever the future brings.

*Meanwhile the supply of infrastructures and services sees Hong Kong companies ever more active in China and Guangdong*<sup>10</sup>. The companies also if Hong Kong is the leading world port, cannot ignore the growth of Chinese ports in general and the three of Shenzhen in particular. As a consequence they offer the greatest cooperation to Chinese ports and in particular to Guangdong ports. Shenzhen, is situated just 20 nautical miles

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<sup>9</sup> According to Ocean Shipping Consultants (2003), under the hypothesis of a scenario of normal growth, world container demand, which stood at 266 million TEU in 2002, will undergo a growth of around 74 % in 2010, with a further increase of 25% in 2015. A considerable proportion of this trade concerns China. For China the official growth rate published by UN ESCAP (Socio-Economic Commission for Asia and the Pacific), predicts an increase in volume of handling in the ports of the Far East and of South East Asia — taking 1999 data as reference — equivalent to 62% by 2006 and a further 40% by 2011.

<sup>10</sup> One of the characteristics of Hong Kong companies is therefore that of delocalizing manufacturing industries to China, where land and labour is cheaper, while keeping a tight control over the entire production supply chain included transports and the management of the ports. Head offices and the commercial management are maintained in Hong Kong. According to the *Bank of China Group Survey, Vol. IV No 4, 2000*. "Since the major resources of Delta and activities are under Hong Kong's control, Hong Kong has played a leading role in the economic development of the Pearl River Delta and thus has obtained huge benefits." It must be emphasised that in spite of Hong Kong's union with China in 1997, it still remains an independent customs area according to the Basic Law (a kind of small constitution for the territory of Hong Kong).

from Hong Kong and is up to 60% cheaper than the latter for the handling of containers, although time and service are far less reliable<sup>11</sup>.

In this perspective, the independence of Hong Kong forms a unique situation for the promotion of co-operative interaction particularly with Guangdong. Such an approach may be evaluated by using various theoretical tools including game theory, strategic-management theory and organisation theory (Rumelt et al., 1997). These analytical tools can be effective in evaluating the growth of the market strength of liner and terminal management companies of both regions.

For example the largest port of Shenzhen, Yantan, is, as it has already been mentioned, managed by Yantian Container Terminal Limited, a joint venture between Hutchison Ports Yantian Container Terminal Ltd. and Shenzhen Yantian Port Group Company Ltd. *in a blend of specialised port expertise on the one hand, and management of political-bureaucratic relations on the other*<sup>12</sup>. Another co-operative attitude can be seen between Hong Kong Port and Maritime Board and Shenzhen Municipal Port Authority, which seeks to develop terminal containers by exploiting the expertise of Hong Kong and the resources and market of Shenzhen<sup>13</sup>.

But the cooperative attitude can achieve an other goal from the point of view of large shipping companies and international operators: to be in good position to control not only the throughput of the containers in the Chinese ports but also the extensive web of commercial relations that China has set up. The complexity of the maritime legs that involve China justifies the effort between the liner shipping and terminal management companies in their attempt to acquire space in the terminals in order 1-to participate directly at the international market in which China acts as a protagonist and 2- to deepen the links with Far East countries where new terminals are building up.

## 5. Conclusions

The cooperative strategy can offer significant advantages for organizations that are poor in certain types of skills or resources as Chinese ports compared with terminal management companies and shipping companies. It concentrates on the benefits that can be obtained through careful management of cooperation (Child and Faulkner, 1998). Therefore the cooperative enterprises form agreements with subjects that possess skills or assets that are complementary to one another. In this manner, cooperation can facilitate access to new markets and provides opportunities for mutual synergies or exchange of knowledge.

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<sup>11</sup> This explains why highly valuable goods or those that require precise delivery times, often for just in time production or to meet sales deadlines pre-established by the market, will accept Hong Kong's high prices.

<sup>12</sup> Child, J. and Faulkner, D. (1998), *Strategies of Cooperation : Managing Alliances, Networks and Joint Ventures*, Oxford University Press, Oxford.

<sup>13</sup> Given the delocalisation of many Hong Kong companies to the Guangdong, it is also worth noting the Governor of Hong Kong's proposal for a *free trade area with Macao and the Region of Guangdong*, with the aim of completely liberalizing trade with the area across the border (Source: Hong Kong Trade Development Council)

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