

# CHINA SPOTLIGHT

## Spotlight on: China Ports

Prepared by: MAC/China Office

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### GENERAL TRADE INFORMATION

China has 163 ports including 54 coastal ports and 109 inland river ports. From 1996-2000 China spent more than \$12.8 billion for the construction of ports, harbors and inland waterways. By the end of 2000, total handling capacity of harbors along China's coast increased to 1.17 billion tons. A network has formed around three major harbor areas: The Bohai Sea area of northern China (including Beijing) is serviced by the ports of Tianjin, Dalian and Yantai; the Yangtze River Delta area includes the ports of Shanghai and Ningbo; and the Pearl River Delta in southern China includes the ports of Shenzhen, Huangpu and Hong Kong. These ports have experienced an average annual growth rate of 9.7 percent over the last 5 years.

During the next three years China plans to construct and renovate 135 deep-water berths (docking centers) along its coast, and build or improve 200 inland river berths. By the end of 2005, the volume of total imports and exports passing through its coastal ports per year will reach 14.3 billion tons. The Chinese government is encouraging foreign direct investment in port-related logistics enterprises to help raise capital for its port modernization programs. This past March, several Chinese ministries jointly issued a new "Catalogue of Industrial Guide for Foreign Investment," that identifies industry sectors in which foreign investment restrictions are being liberalized. Logistics (transportation, freight forwarding, storage, warehousing) and port management are two such areas.

This report will "spotlight" the top five mainland Chinese ports by total value (in US dollars) -- plus Hong Kong; identify port modernization programs in which opportunities exist for U.S. companies; provide a brief description of the container security initiative; and describe Commerce Department efforts to facilitate China's WTO compliance with regard to Customs procedures and expanded distribution rights.

### HONG KONG

While Hong Kong is still the world's busiest container port, it is facing increasing competition from other south China ports. The trend among shippers and carriers is to ship goods through south China's mainland ports, rather than Hong Kong, to avoid delays at the border and to take advantage of cheaper trucking tariffs and terminal-handling costs. In response to this competition, Hong Kong is expanding its facilities on nearby Tsing Yi Island, where it will add at least 2.6 million ton equivalent units (TEUs) of annual capacity when it opens in 2003. It is also building a bridge to western Shenzhen that will double cross-border capacity and ease congestion.

### Snapshot of Port Activity in China

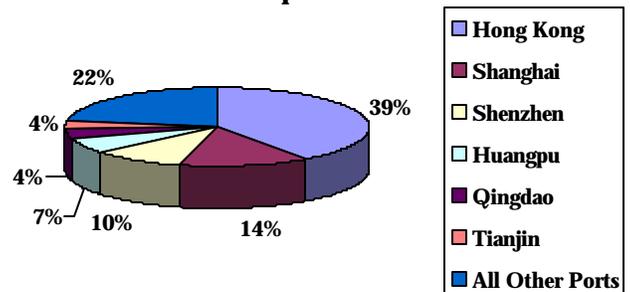


### **Top Chinese Ports by Total Trade\*** Millions USD Jan-Sept

	2000	2001	2003
<b>Hong Kong</b>	\$306,082	\$296,943	\$299,077
<b>Shanghai</b>	\$79,504	\$91,005	\$102,549
<b>Shenzhen</b>	\$56,925	\$58,144	\$73,195
<b>Huangpu</b>	\$36,759	\$38,435	\$48,753
<b>Qingdao</b>	\$22,626	\$26,082	\$28,560
<b>Tianjin</b>	\$22,358	\$24,450	\$26,772
<b>All Other Ports</b>	\$127,250	\$138,682	\$165,406

\*Total Trade = Combined value of all imports and exports to/from the World

### **Share of Total Chinese Port Trade** by Total Value Jan-Sept 2002



Source: World Trade Atlas

### SHANGHAI

In 2001, the Shanghai port's annual handling capacity ranked third in the world. The Port of Shanghai is currently undergoing a major renovation and expansion that will include numerous railway connections and the development of logistics systems for inland barging. In addition, Shanghai is developing a deep-sea harbor and ancillary facilities on the Yangshan Islands, about 20 miles from the coast, capable of handling the latest generation of container vessels, and with annual capacity of 20 million TEUs.

### SHENZHEN

Shenzhen was considered a small town when it was chosen as China's first special economic zone to pilot the country's reform and opening-up drive 22 years ago. It is now one of China's richest cities. Shenzhen's gross domestic product (GDP) is approximately \$23.5 billion, and it boasts the country's highest per capita GDP of \$5,237. Shenzhen plans to invest 31.6 billion yuan (US\$3.9 billion) in the next three years to boost the development of its logistics industry, and will build six new logistics parks, three of which will provide international logistics services. To cope with the development, the handling capacities at Shenzhen's sea and air ports will be greatly expanded. By 2005, annual handling capacity of Shenzhen's seaports (which include Yantian, Chiwan and Shekou) will increase to 90 million tons, compared with 66.42 million tons in 2001.

### HUANGPU

Huangpu port, in Guangdong province, ranked third among China's ports in terms of total trade value (imports plus exports) during the first three quarters of this year. Huangpu's trade totaled US\$ 48.8 million during this period, up more than 21 percent over the same period last year. A contributing factor to this year's growth has been a surge in automobile imports to Guangzhou through the Huangpu port. The port's ongoing modernization plan includes a new scanning system that will enable Customs officials to scan the entire contents of a container truck in 150 seconds.

### QINGDAO

Qingdao port was founded in 1892 and is the largest commercial port in Shandong province. Its primary export cargoes are coal and crude oil. Its major imports include metal ores, grain, steel, timber and fertilizers. The port accommodates, on average, more than 1,000 vessels per month, with an annual freight traffic capacity of 84 million tons. Recently, Qingdao port completed construction of China's largest container, crude oil and ore wharves.

### TIANJIN

Tianjin port is the fourth largest in China and serves as an outlet for goods from the central and western parts of China. As the leading port in north China, it plans to allocate \$1.4 billion to build infrastructure projects over the coming decade. The development proposal includes work on a deep-water channel to accommodate 150,000 dead weight ton (dwt) ships and a man-made island covering an area of 30 square kilometers. These projects are to be completed by 2005.

## COMMERCE'S ROLE

The Commerce Department works closely with U.S. industry representatives and other government agencies to ensure that China's rules and regulations governing Customs procedures, distribution and logistics are WTO compliant and are administered in a fair and transparent manner. To this end we are preparing two technical assistance programs designed to help China implement its WTO commitments in these areas and highlight opportunities for U.S. exporters. Our first program will address China's Customs modernization efforts and focus on the requirements of the WTO Customs Valuation Agreement. Our second program will help China implement its expanded distribution and trading rights obligations. We will focus our program on the specific commitments made with regard to distribution services and China's regulations governing foreign invested logistics companies. In both programs we will partner with Chinese government agencies and encourage U.S. industry participation. We plan to conduct each program in two or more cities.

## U.S. TRADE & DEVELOPMENT AGENCY GRANT

USTDA approved a \$186,800 technical assistance grant for the *Shanghai Model Port Project*. The money was used for training in express packaging, information technology, and enforcement of intellectual property rights. This past summer, TDA issued a grant to help fund the construction of a deep-water terminal in the Shanghai port.

## CONTAINER SECURITY INITIATIVE

A growing area of concern to U.S. industry is how to ensure security throughout the supply chain. The container security initiative (CSI), developed by the U.S. Customs Service, is being implemented in ports throughout the world to address this concern. At the bilateral meetings between Presidents Bush and Jiang in October, the Chinese president declared that China would participate in the initiative. The basic characteristics of the program are (1) establishing security criteria to identify high-risk containers; (2) pre-screening containers before they arrive at U.S. ports; (3) using technology to pre-screen high-risk containers; and (4) developing and using smart and secure containers. The U.S. Customs Service will send representatives to China to assist the Chinese government in its implementation efforts.

## **CHINA FACTS**

Total Population (July 2002 est.) .....	1.284 billion
Total Labor Force (2000 est.).....	706 million
Literacy (Total Population).....	81.5%
Government.....	Communist Party-led state
President.....	Jiang Zemin
Vice President.....	Hu Jintao
Premier.....	Zhu Rongji
Language.....	Mandarin; many local dialects
Currency.....	Yuan (often called Renminbi in China)
Capital.....	Beijing
Elections: President and vice president elected by the National People's Congress for five-year terms; elections last held in March 1998 (next to be held in March 2003); premier nominated by the president, confirmed by the National People's Congress	
Source: Chinese government statistics	