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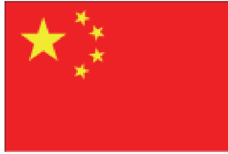

China Maritime Lookout

Publisher/editor: Richard Scott, md, *Bulk Shipping Analysis;* associate, China Centre (Maritime), Solent University; member of London & South East Branch Committee, Institute of Chartered Shipbrokers

17 April 2018 **number 02**

The **China Maritime Lookout** *provides news and analysis about or related to China's involvement in, and contribution to, the global maritime scene*

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Editorial comments

- During the past four decades ***China's reform and opening-up*** has greatly benefited both the national and world economies (item 2). Since the process initiated by paramount leader Deng Xiaoping began in 1978, China has become much more prosperous. In the past twenty years especially, the country has also transformed the global shipping scene.
- Within the China-owned merchant ship fleet, the ***bulk carrier sector*** is the largest by carrying capacity, and bigger ships have become more prominent, but fleet growth recently has slowed (item 1). Looking ahead, the huge orderbook for newbuilding bulk carriers ordered by Chinese shipowners is expected to result in strong expansion of this fleet.
- The outcome of ***trade negotiations*** between the USA and China about disputed aspects is still awaited. While this dispute is causing widespread anxiety about international trade, given obvious potential for negative effects, some reputable analysts have already concluded that the impact on China's economy may be limited (item 8).
- A new research investigation of China's evolving ***Maritime Silk Road*** (MSR) concept has just been published by a US-based think-tank, CSIS (item 3).The new study focuses on strategic and economic implications for the Indo-Pacific region. A framework for analysing economic drivers for, and challenges associated with MSR port development is outlined.
- Several notable ***MSR port infrastructure projects*** are examined in detail in the above mentioned study: Kyaukphyu, Myanamar; Hambantota, Sri Lanka; and Gwadar, Pakistan. Also included is a review of the related Chalabar, Iran port project being developed by India and Iran.
- The story of ***spectacular growth in China's seaborne trade and shipping*** in recent years is well-known, but what are its most prominent features? Item 6 provides a summary of some remarkable trends unfolding over the past decade, leading to China becoming the world's biggest importing country and one of the biggest shipowning countries.

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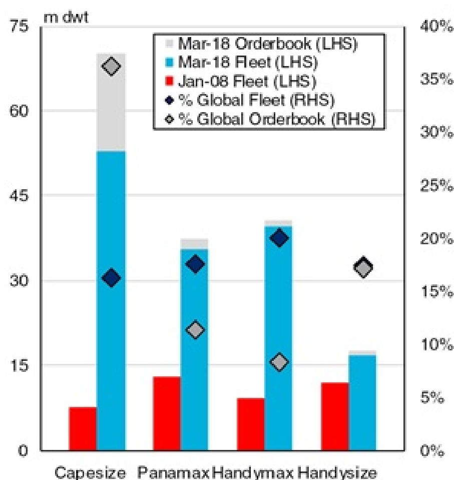
(1) Clarksons Research, 3 April 2018

Sizing Up China's Bulkcarrier Fleet

Over the last decade, the global bulkcarrier fleet has expanded rapidly, more than doubling between the start of 2008 and March 2018 to total 822.5m dwt. China has played an important role, with the Chinese owned bulkcarrier fleet accounting for nearly a quarter of this increase. Meanwhile, significant changes to the composition of China's bulker fleet have also taken place during this time.



Putting On Weight

China is the third largest bulkcarrier owning nation behind Greece and Japan, with a fleet of 144.8m dwt at the start of March 2018. This was equivalent to 18% of global bulker fleet capacity, up from 11% in 2008, with China's bulkcarrier fleet having increased by a CAGR of 13% in this period. This was driven by a focus on dry bulk investment by Chinese companies, with bulkers accounting for 74% of the increase in the total Chinese owned fleet in 2008-13. However, bulker fleet growth has recently eased, partly reflecting lower ordering against a backdrop of weak market conditions. This, combined with the diversification of Chinese owners into a wider range of ship types has meant that bulkers have accounted for just 37% of growth in Chinese fleet capacity since 2014, but at the start of March 2018 still accounted for a sizeable 59% of the Chinese fleet in dwt terms.

Upgrading Ingredients

Meanwhile, there has also been a significant upsizing trend within the Chinese bulker fleet. Ten years ago, Panamaxes and Handysizes accounted for the largest shares of Chinese bulkcarrier fleet capacity, totalling 60%, but this share has now dropped to 36% as China's growing iron ore imports in particular have shifted focus towards the largest vessel sizes. Whilst Chinese iron ore imports grew from 436mt in 2008 to 1,058mt in 2017, the Chinese Capesize fleet expanded almost seven-fold to total 52.9m dwt at the start of March 2018, 36% of Chinese bulkcarrier fleet capacity, up from 18% in 2008. Meanwhile, firm growth in coastal dry bulk trade and minor bulk imports have also supported strong expansion in Chinese owned Handymax capacity. As a result of these trends, the average size of Chinese bulkcarriers has risen by 43% in the last decade to c.67,000 dwt.

Ordering Big

Even more pronounced upsizing is visible in China's bulkcarrier orderbook. Chinese owners currently account for the largest volume of bulker tonnage on order of any owner nationality, totalling 21.1m dwt. Over 80% of this capacity is accounted for by vessels in the Capesize sector, including 39 VLOCs of a total 14.9m dwt. 23 of these ships were ordered by traditional shipping companies, with the remainder

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backed by Chinese financial interests who have recently been playing a much more active role in asset investment. All of these VLOC orders have been ordered against long-term CoAs with Brazilian miner Vale.
So, the Chinese bulker fleet has grown rapidly and has seen notable upsizing. With the Chinese bulker orderbook the largest globally and accounting for over half of tonnage on order to Chinese owners, the Chinese bulker fleet looks set to further increase its prominence going forwards both within the global bulkcarrier sector and the Chinese fleet overall.
source: Clarkson Research Services
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(2) Hellenic Shipping News, 13 April 2018/ Xinhua

China's four decades of reform, opening-up provides world with major economic locomotive

This year marks the 40th anniversary of China's groundbreaking reform and opening-up. The long-held policy not only brings China rapid and sustainable development, but also enables the country to have contributed greater momentum to the global economy.
Over the past 40 years, China's GDP has averaged an annual growth rate of around 9.5 percent in comparable prices. The country's foreign trade has also registered an annual growth of 14.5 percent in the U.S. dollar, Chinese President Xi Jinping said Tuesday in Boao, a town in southern island province of Hainan.
"China's reform and opening-up meets its people's aspiration for development, innovation and a better life. It also meets the global trend toward development, cooperation and peace," Xi said in a keynote speech at the opening ceremony of the Boao Forum for Asia (BFA) Annual Conference.
Chinese model drives economic globalization
Before heading for China to attend this year's BFA, United Nations Secretary-General Antonio Guterres said the achievements China made through reform and opening-up show that the country has successfully driven economic globalization. He stressed that China's economic development would remarkably propel the global economy.
Every year, the BFA is expected to gather thousands of participants from around the world to offer advice on cooperation, development and prosperity.
Boao, a traditional fishing town drastically changed into a well-known diplomatic destination as a permanent venue for the annual forum, has witnessed the great leap that China made through reform and opening-up over the past 40 years.
So far, it's widely acknowledged that China's comprehensive and deepening reform and opening-up has provided the world with a major economic locomotive, as it has given fresh impetus to the global economy through a set of pragmatic programs, of which the most representative one is the Belt and Road Initiative (BRI).
Overseas experts and China watchers agree that Asia is currently leading the world economy with
China's contribution of a large part of global economic growth.
"It is very well-timed to propose opening-up and innovation as key words (in the BFA) given Asia now is leading the world economy," said Kim Young-ju, chairman of the Korean International Trade Association, in a recent interview with Xinhua.
Kim said China has helped build the world economic order and global governance by creating an economic model of reform and opening-up. He expressed the hope that China would contribute to further global growth by deepening its reform and opening-up.
He noted that the economic model China has devised is represented by the BRI and the establishment of the Asia Infrastructure Investment Bank to support the initiative.
The "BRI's format follows that used in China's development," according to a pre-conference report jointly composed by the BFA and Deloitte, a UK-incorporated multinational accounting and consulting firm.
The "BRI's initial focus was on energy and infrastructure; it is now widening to trade, manufacturing, the Internet and tourism," said the report.

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"Multinational corporations with competitive advantages are winning BRI-related deals, and we predict more will do so in the near future," the report noted.

BRI to advance reform, opening-up

To date, more than 40 Asian countries have joined the BRI, and some have dovetailed their national development strategies with the initiative.

In 2017, China's trade volume with BRI countries grew by 14.8 percent year-on-year, reaching 1.18 trillion dollars, according to latest statistics from China's Ministry of Commerce.

Dutch Prime Minister Mark Rutte hailed the connection set up through the BRI between China and his country as "a symbol of intensifying China-Dutch relations." Rutte noted that Dutch companies have been keenly interested in the BRI, especially since it involves enormous investment in infrastructure.

"This is where Dutch companies can assist China with their strong expertise in fields like maritime logistics and port development, as well as rail and road construction and sustainability," he told Xinhua.

Last month, the first direct train connecting Amsterdam and Yiwu City in eastern China under the Belt and Road framework left the Dutch capital for the Chinese trading hub. A direct rail service linking Rotterdam and Tilburg in the Netherlands and Chengdu in southwest China has been in operation for nearly two years.

Gamal Bayoumi, head of the Cairo-based Arab Investors Union, also hailed China as a significant stabilizer in global trade, especially for developing countries.

"We encourage this role and we hope that China's economic growth rate remains high because it benefits the economies of many developing states," Bayoumi told Xinhua recently.

Further opening up of Chinese market

As the largest emerging economy, China kept a medium-high economic growth rate of 6.9 percent in 2017, contributing approximately one third of global economic growth and continuously acting as the largest contributor to the global economy, according to a report released at a press conference of the BFA annual conference on Sunday.

In doing so, China has vowed to further open its economy with concrete measures to promote the common prosperity of China and the world.

China will improve the investment environment for foreign investors, significantly lower the import tariffs for vehicles and reduce import tariffs for some other products this year, Xi said in his keynote speech.

"We will take the initiative to expand imports," Xi said. "We have a genuine desire to increase imports and achieve greater balance of international payments under the current account."

source: Xinhua

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(3) Center for Strategic and International Studies, 2 April 2018

China's Maritime Silk Road - Strategic and Economic Implications for the Indo-Pacific Region

China unveiled the concept for the Twenty-First Century Maritime Silk Road (MSR) in 2013 as a development strategy to boost infrastructure connectivity throughout Southeast Asia, Oceania, the Indian Ocean, and East Africa. The MSR is the maritime complement to the Silk Road Economic Belt, which focuses on infrastructure development across Central Asia. Together these initiatives form the One Belt One Road (OBOR) initiative designed to enhance China's influence across Asia.

There is a shortage of infrastructure investment to meet the needs of developing nations across the Indo-Asia-Pacific region and most nations have welcomed the opportunity to bid for Chinese funding. At the same time, there are growing questions about the economic viability and the geopolitical intentions behind China's proposals. Thus far MSR initiatives have mainly been concentrated in the littoral states of the Indo-Pacific region, especially port-development projects, which is raising questions about whether these investments are economic or military in nature. These large-scale investments are also structured in ways that invite questions about the potential for China to exert undo leverage over the domestic and foreign policies of heavily indebted recipient countries.

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To shed light on some of these themes, CSIS has commissioned seven experts to unpack the economic and geostrategic implications of China's infrastructure development across the Indo-Pacific region under the MSR. Their research is presented in this volume. The essays begin with analysis of four infrastructure projects, three by China under MSR and one by India as a counter to MSR. These are: Kyaukpyu (Myanmar), Hambantota (Sri Lanka), Gwadar (Pakistan), and Chabahar (Iran):

- **Kyaukpyu**: Greg Poling explains the economic and strategic rationale behind China's investments in Kyaukpyu, a coastal town along the Bay of Bengal in Myanmar's western-most state of Rakhine. China recently won contracts to develop a deep-sea port at Kyaukpyu and an industrial area in a special economic zone (SEZ) nearby. Kyaukpyu is also the terminus for an oil pipeline and a parallel natural gas pipeline running to Kunming, capital of southwestern China's Yunnan Province. Those projects reflect a strategic effort by Beijing to reduce its reliance on oil and gas imports through the Strait of Malacca, and a deep-sea port at Kyaukpyu could similarly help China in its drive to develop its inland provinces. Poling references regional concerns about the potential that China would leverage a port at Kyaukpyu for military purposes but concludes that at present the overriding fear within Myanmar is China's potential economic leverage via debt financing.
- **Hambantota**: Jonathan Hillman examines China's development of the Hambantota port in Sri Lanka and questions the economic rationale of this project given existing capacity and expansion plans at Colombo port, fueling concerns that Hambantota could become a Chinese naval facility. This case also highlights the potential risks of becoming a debt trap as Sri Lanka handed the port over to China in December 2017 with a controlling equity stake and a 99-year lease—eerily similar to the imperial strategies Britain imposed on Qing China with Hong Kong in the Nineteenth Century. Hillman suggests the Hambantota case reveals the need for recipient countries to tie infrastructure projects to larger development strategies in order to better monitor debt levels, and for the international community to expand alternatives to Chinese infrastructure financing.
- **Gwadar**: Gurmeet Kanwal highlights the development of Gwadar port as a key element in the larger China-Pakistan Economic Corridor (CPEC) initiative. Though CPEC is branded as a symbol of strong bilateral ties between China and Pakistan, Kanwal argues that both sides have misgivings about the project, including China's concern about the safety of its workers and fears in Pakistan about increased indebtedness resulting from the project, that could increase tensions. Kanwal also addresses the security implications of China's potential naval access to Gwadar as a gateway to the Indo-Pacific, and concludes by examining the potential from the revived quadrilateral framework of security dialogue and cooperation among India, Japan, Australia, and the United States as a way to counter China's strategic outreach.
- **Chabahar**: Harsh Pant notes that China is not the only country playing the great game through infrastructure investment. India's efforts to help develop Iran's Chabahar Port reflect Delhi's own ambitions as a driver of infrastructure development and improved regional connectivity, particularly with Afghanistan. Close to the Chinese-backed, Pakistani port of Gwadar, the Chabahar project is also seen as a strategic play to limit the influence China seeks to gain and wield through its Belt and Road Initiative and MSR. Pant concludes by identifying complications in India's strategy stemming from Iran's openness to Chinese and Pakistani participation in the development of Chabahar.
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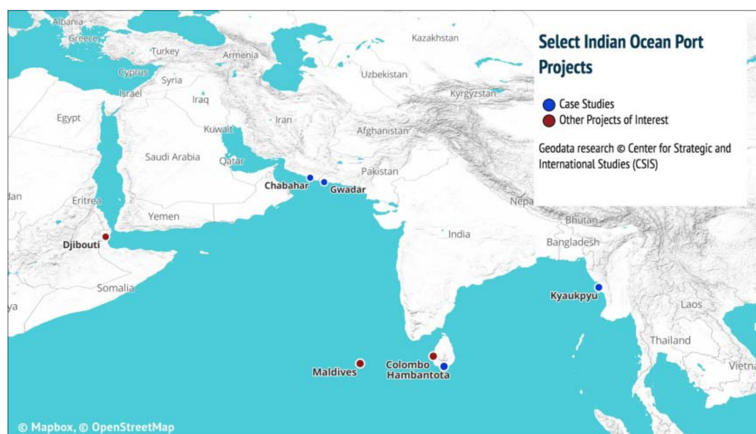

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These four infrastructure case studies are followed by two essays addressing the broader economic and military implications of China's MSR initiative:

- **Economic Implications**: Matthew Funaiole and Jonathan Hillman begin their chapter by framing the larger economic significance of the Indo-Pacific region, noting for example that each of the 10 busiest container ports in the world are along the shores of either the Pacific or the Indian Ocean, and more than half of the world's maritime trade in petroleum transits the Indian Ocean alone. In order to begin addressing whether China's infrastructure investments serve economic or strategic purposes—or both—the authors introduce three criteria for assessing the economic viability of infrastructure development projects: proximity to shipping lanes; proximity to existing ports; and hinterland connectivity, or the degree to which port projects are connected to larger development strategies inland (though some ports can arguably serve meaningful economic purposes as hubs for cargo transshipment). In their view, all three of the Chinese infrastructure projects examined in this volume are somewhat misaligned with economic objectives, particularly with respect to the third criterion of connectivity.
- **Military Implications**: Zack Cooper posits that China's increased military presence in the Indian Ocean should not come as a surprise. China is following in the traditional path of other rising powers; it is expanding its military operations to match its interests abroad. The Chinese economy is highly reliant on trade routes that pass through the Indian Ocean, which serves as a vital pathway, particularly for energy supplies, and it is therefore natural for the Chinese government to seek to protect its interests along these sea lines of communication. In his view, the security implications of China's push into the Indian Ocean are mixed. In peacetime, these efforts will certainly expand Chinese influence in the region, possibly through access to port facilities to refuel or resupply naval vessels and in terms of anti-piracy operations and familiarization with other regional militaries. At the same time, however, China's Indian Ocean presence will likely create as many vulnerabilities as opportunities in terms of protecting trade routes, bases, and ships—particularly in wartime. Nevertheless, Beijing's political, economic, and military influence is likely to expand in future years and will remain a concern for strategists focused on the Indian Ocean, which has long been seen by the United States and Australia as a critical transit point from the Pacific to the Middle East and critical for maritime defense in depth to manage any threats to the critical chokepoints of the Gulf of Hormuz and the Strait of Malacca. These concerns are increasingly on Japan's radar and India has also grown concerned that China's so-called "string of pearls" in the Indian Ocean would give Beijing new options to horizontally escalate beyond long-standing Sino-Indian competition in the Himalayas.

The series concludes by examining how the maritime democracies of the United States, Japan, India, and Australia might respond to the uncertainties posed by the MSR through the newly reconstituted "Quad."

- **Quad Response**: Jesse Barker Gale and Andrew Shearer review the history of the Quadrilateral Security Dialogue, or "Quad," which began when Australia, Japan, India, and the United States first came together to provide humanitarian assistance after the 2004 Indian Ocean tsunami. In subsequent years, the four governments failed to formalize the construct because of differences within each capital about China's possible reaction. Fast-forward a decade, and the four countries have now reestablished the Quad in what the authors consider a response to China's unexpected economic and military assertiveness in the region. They argue that with increasing convergence among the four maritime democracies on the need to coordinate on a broader strategy to ensure a free and open Indo-Pacific region, the "Quad 2.0" has potential to shape China's strategy in a more benign direction, but remains underutilized and under-operationalized.

This study builds on prior work at CSIS on the geopolitics of the Indo-Pacific, including: the Asia Maritime Transparency Initiative; Reconnecting Asia; China Power; andCountering Coercion in Maritime Asia. The idea for a focused examination of China's Maritime Silk Road grew out of discussions with senior leadership on Japan's National Security Council staff, who then provided some funding for a conference on the subject. As with our other research on maritime Asia, we have endeavored to integrate political, military, economic, and historical considerations. The analysis and prescriptions are entirely those of the authors and do not represent the official positions of any government in the region.

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The overall conclusion is mixed. China's MSR projects are neither purely military nor purely commercial. Moreover, China's overall approach is probably evolving. It is our hope that this study will help the United States and like-minded states refine their own response to MSR—hedging or deterring where necessary, but also working to encourage a more transparent and economically viable approach from Beijing.
I am grateful to the authors for their expertise and careful work and to Nick Szechenyi for leading the project and pulling together the essays for this study.
source: CSIS
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(4) Hong Kong Trade Development Council, 22 March 2018

More than a Pipe Dream

The Belt and Road-backed Yunnan fuel supply line is transforming southwest China's prospects and boosting China-Saudi Arabia links.

Negotiations are underway for Saudi Arabian oil giant Aramco to secure a more than 30 per cent stake in PetroChina's Anning refinery. In late 2017, Aramco Chief Executive Amin Nasser confirmed that discussions with the Chinese mainland's largest oil producer were now at an advanced stage.

Located in China's southwestern Yunnan Province, the refinery – one of China's largest oil-processing facilities – came on line last October and currently has a throughput capacity of 260,000 barrels per day (bpd).

At present, the Anning facility solely focuses on supplying domestic demand. In the longer term, however, the facility is expected to play an intrinsic role in meeting China's future energy demands, with the country estimated to require at least 2.2 million bpd of refining capacity by 2022. In addition to its throughput, however, the site also holds strategic importance.

Set close to the Myanmar border, the refinery is set for a key role in the Belt and Road Initiative, China's ambitious international infrastructure development and trade facilitation programme. More specifically, it is expected to help close the development gap between China's megacities and its underdeveloped eastern and western states, while improving China's "connectivity" with the rest of the world – two of the Initiative's primary objectives.

The Anning facility is supplied by the Shwe oil and gas pipelines, which stretch back to the western Myanmar port of Kyaukpyu. With a total length of 770 kilometres, the pipelines – jointly funded by the China Development Bank and the Myanmar Foreign Investment Bank – source from a nearby offshore natural gas field with regular oil shipments arriving at the port.

Overall, it is hoped the new arrangement will free southwest China from its reliance on slow and costly oil shipments from the Middle East and Africa, with all of its fuel requirements, instead, offloaded in Myanmar, then piped overland.

For many in China, the Shwe pipelines are considered among the first fruits of the Belt and Road Initiative. From the Saudi point of view, the arrangement also has several clear benefits. The investment in Anning – expected to be in the region of US$1billion to US$1.5 billion – is the cornerstone of the kingdom's game plan to regain market share lost to Russia, currently China's primary crude oil supplier.

One of the key elements in Aramco's approach has been to strategically invest in several target refineries, and in exchange, these installations would be contractually tied into solely (or largely) processing the company's crude. In line with this, PetroChina has already tacitly acknowledged that the deal will lead to an increase in the proportion of Saudi oil processed in Anning.

The deal also paves the way for more Sino-Saudi joint ventures, while also rebooting relations between

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the world's-biggest oil exporter and the world's-largest crude importer, with Saudi Arabia keen to move things along as swiftly as possible. Indeed, addressing the deal's likely impact, Khalid al-Falih, Saudi Arabia's Energy Minister and the Chairman of Aramco, has said: "Our goal is to be not only the largest crude exporter to China, but also the largest in-market investor overall."

In a further sign of converging interest, PetroChina is said to be considering buying into Aramco via its massive initial public offering – possibly the world's largest – which is expected to take place later this year. Meanwhile, for its part, Aramco is believed to be eyeing other petrocarbon assets in China. These will be in addition to its existing agreement with the China North Industries Group, one of the mainland's leading defence contractors, to build a new refinery and a chemical complex in northeast China. It also holds a 25 per cent stake in a Fujian-based refinery operated by Sinopec, another of China's oil and gas giants.
source: HKTDC
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(5) Hellenic Shipping News, 24 March 2018/ China Daily

Shandong shipbuilder delivers huge ore carrier

Shandong-based Qingdao Beihai Shipbuilding Heavy Industry Co, a subsidiary of Wuchang Shipbuilding Industry Group Co, delivered a very large ore carrier, or VLOC, to its client.
The ship, named Ore Tianjin, has 400,000 metric tons' carrying capacity and is the first VLOC the group has made for Industrial and Commercial Bank of China Leasing. Aiming to reduce the shipping cost by increasing capacity and enhance the operator's global competitive edge, the ship has a loading capacity equivalent to 6,666 regular freight train cabins.
It is designed for Brazilian miner Vale SA to conduct tasks on the route between China and Brazil, the company said in a statement.
Qingdao Beihai Shipbuilding will deliver a total of eight VLOCs of this kind to different clients within the year.
"The bulk carrier can sail at a speed of 27 kilometers per hour for 25,550 nautical miles nonstop. It means the ship can sail between any two ports in the world without extra fueling," the company said.
Compared to other VLOCs, the carrier can consume 18.8 percent less energy, by having an extra tank for liquefied gas as fuel. It makes the carrier more environment-friendly, as the liquefied gas produces 30 percent less nitrogen oxides and 15 percent less carbon dioxides than the usual fuel.
The ship is 362 meters in length, 65 meters in breadth and 30.4 meters in height. It weighs 54,200 tons.
In 2016, China Shipbuilding and Offshore International Co Ltd, a subsidiary of China Shipbuilding Industry Co, and Qingdao Beihai Shipbuilding contracted with ICBC Leading and China Merchants Energy Shipping Co Ltd for eight 400,000-ton VLOCs.
The ship was designed by Shanghai Merchant Ship Design and Research Institute. Started in 2016, the ship was successfully undocked last September and finished its first test ride earlier this year.
After the delivery, Qingdao Beihai Shipbuilding Heavy Industry said the company will learn from other shipbuilders in China and make the product better to meet the high hopes clients have for the ship.
"A recovery in the shipping market has buoyed optimism among both foreign and Chinese shipping companies, with many once again buying new boats to expand their fleets since 2017," said Dong Liwan, a shipping industry professor at Shanghai Maritime University.
Yao Jian, an analyst with China Securities, said that with a recovery in global trade in 2017, when China's trade value rose 14.2 percent, the Baltic Dry Index, a shipping index measuring change in the transportation cost of raw materials, has risen above 1,200 points from around 950 points at the beginning of 2017.
"Following the financial crisis in 2008, the shipping market entered a long period of downturn and as a result, many loss-making firms went bankrupt," said Yao.
In the second half of 2016, the chill started to recede, and in 2017, shipping rates saw a rare bull market with continuous rises, ending a seven-year downturn, according to data released by the Beijing-based China Association of the National Shipbuilding Industry in January.

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However, Yao said many shipping companies in both the home and overseas markets are still cautious about expanding their fleets due to rising prices of cargo ships, difficulty in fundraising and divided market expectations.
source: China Daily
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(6) Notes by Richard Scott, *Solent GMWD* editor, 23 March 2018
for delegates at Seafarers Welfare in Chinese Ports conference, organised by Solent University/CCM

China's seaborne trade, shipping and ports

These notes, accompanying my presentation for the SWIC conference today, highlight some key aspects of how China's seaborne imports and exports and the China-owned merchant ship fleet relate to activity in Chinese ports.

China's seaborne trade

- Growth in China's seaborne trade is the ***world shipping industry story of the century***. Imports and exports have increased enormously since the millennium.
- The ***upwards trend in imports*** has been especially notable. During the past decade (2007-2017) annual seaborne imports of all cargoes into China rose by 163% to reach 2,400.million tonnes.
- There has been ***strong growth in all the main import categories*** over the past ten years. Dry bulk commodities is by far the largest category, growing by 191%. Oil is the second largest, up by 129%, while container cargo grew by 143% and other cargoes by 149%
- Another remarkable outcome was China's ***expanding proportion of global seaborne imports***. From 11% of the world total in 2007 (and, earlier, 5% in 2000), this proportion almost doubled to 21% in 2017. The much faster growth of imports into China than seen in other countries, and the huge scale of cargo movements, has attracted global attention.
- Many forecasters ***expect the upwards trend in imports to continue*** in the next few years, although there is considerable uncertainty about the future pace.
- Also, there has been an ***expansion of exports***. These comprise container cargo, dry bulk commodities and other cargoes. The total is large but, for comparison, less than one quarter of the imports volume. Over the past decade the annual volume of exports rose by 19%. These comprise 5% of the global total.

China-owned fleet

- The China-owned fleet of merchant ships ***strongly increased its capacity*** by almost 200% during the period of ten years from end-2007 to end-2017, reaching 153 million gross tonnes (including all vessels of 100 gt and larger). These are ships owned and controlled by Chinese nationals based in China,
- Looking at the ***number of ships*** in the fleet, this total has not grown as rapidly, up by 63% over ten years to 7,400 ships at end-2017 because of the increased average ship size: bigger container ships, tankers and bulk carriers (especially the gigantic 400,000 dwt valemax ore carrier behemoths).
- Among the ***main vessel type categories***, the bulk carrier fleet's capacity more than tripled (up by 236%), tanker fleet capacity increased similarly by 192%, container ships saw an almost quadrupling (up by 297%), while all other ship types together grew by 74%.
- China-owned ships have achieved an ***expanding proportion of the world fleet***. This proportion has grown by five percentage points from 6.6% at end 2007 to 11.8% at end 2017.

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- Fleet growth in the past three years averaged 8% annually, and ***future rapid growth is implied*** by a large volume of new ships on order for Chinese shipowners. Currently these are equivalent to 16% of existing ships, mostly for delivery in the next two years. But several other influences will also affect fleet growth.

Consequences for China's ports

- Import and export trade ***extensively employs foreign-owned vessels***, despite the growth in the China-owned fleet, a large proportion of which is employed in trades to or from China.
- Although up-to-date ***statistics on port calls*** are not available for this summary, such data probably is obtainable at a substantial price from maritime information providers.
- We know that increased trade has led to ***greatly increased vessel movements*** to or from ports in China. This additional activity has occurred despite the rise in the cargo-carrying capacity of individual ships on some trade routes, which is only a partly offsetting factor related to ship movements.
- In many trades ***average ship size used*** probably has not changed greatly over the past decade, implying more individual shiploads and therefore more port visits.

sources: statistics in this summary are partly based on data compiled by *Clarksons Research*, accompanied by numerous calculations by *Bulk Shipping Analysis*.

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(7) Hellenic Shipping News, 4 April 2018/ Reuters

COSCO Shipping's takeover of OOCL to complete by end-June: vice chairman

COSCO Shipping's (601919.SS) planned acquisition of Orient Overseas Container Line (OOCL) is on track to be completed by the end of June, the company's vice chairman Huang Xiaowen said on Tuesday.
COSCO is still answering questions from the Committee on Foreign Investment in the United States on the deal, and is also awaiting a number of domestic approvals, Huang told a press conference in Shanghai.
He said the deal needed U.S. approval as OOCL had some assets in that country. "Up to now we are quite confident to push forward this acquisition … it's progressing normally," he said.
COSCO last year offered to buy Orient Overseas International Ltd (OOIL) (0316.HK) in a $6.3 billion deal that will see the Chinese shipping giant become the world's third-largest container shipping line. OOCL is the main subsidiary of OOIL.
The company said in July last year that the transaction would be completed by June 30 and the deal had already received approvals from European and United States anti-monopoly regulators.
The proposed deal is the latest in a wave of mergers and acquisitions in global container shipping that has left the top six shipping lines controlling 63 percent of the market and comes at a time when the industry is experiencing recovery after a lengthy downturn.
COSCO said last week it expected further growth in container shipping demand thanks to a continued recovery in global trade, after reporting that it had swung to a net profit of 2.7 billion yuan ($429.42 million) for 2017.
Huang said the company was also keeping a close eye on rising trade tensions between China and the United States, trade between which currently contributes to about 15 percent of its cargo volumes.
Wang Haimin, COSCO's general manager, said there was currently little evidence that the tensions were affecting cargo volumes but noted that the company had reduced its U.S. capacity slightly over the past few years as part of its restructuring.
"We will take appropriate action to protect our company's market as well as the rights and interests of our customers," Huang said.
source: Reuters

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Moody's, Fitch see limited impact of U.S. tariffs on Chinese economy

Global rating agencies Moody's Investors Service and Fitch Ratings said on Wednesday the proposed U.S. tariffs will have limited direct impact on China's economy and a negotiated solution is most likely.
Chinese President Xi Jinping had pledged on Tuesday to open the economy further and lower tariffs on products including cars in a speech seen as a conciliation amid rising trade tensions between the top two economies.
Moody's said it expects the U.S. and China will prevent a significant escalation in their trade dispute going by the negative impact the restrictions will have on both economies.
"Trade has made a smaller contribution to China's GDP growth in recent years and, combined with a changing trade structure, China's direct vulnerability to potential trade shocks has declined," Moody's said in a report.
Last week, Washington threatened China with tariffs on $50 billion (£35.2 billion) in Chinese goods aimed at making Beijing address what the U.S. calls deeply entrenched theft of U.S. intellectual property and forced technology transfers from its companies.
"The currently implemented U.S. trade measures will impact only a relatively small portion of Chinese exports to the U.S., and we expect them to have a direct but contained effect on China's economy," Moody's said.
Fitch said a full-blown trade war between the countries can create risks for corporations in the Asia Pacific region, Fitch said.
U.S. President Donald Trump has been critical of China's trade policies, criticizing China on Monday for maintaining 25 percent auto import tariffs compared to the United States' 2.5 percent duties, calling such a relationship with China not free trade but "stupid trade".
source: Reuters
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