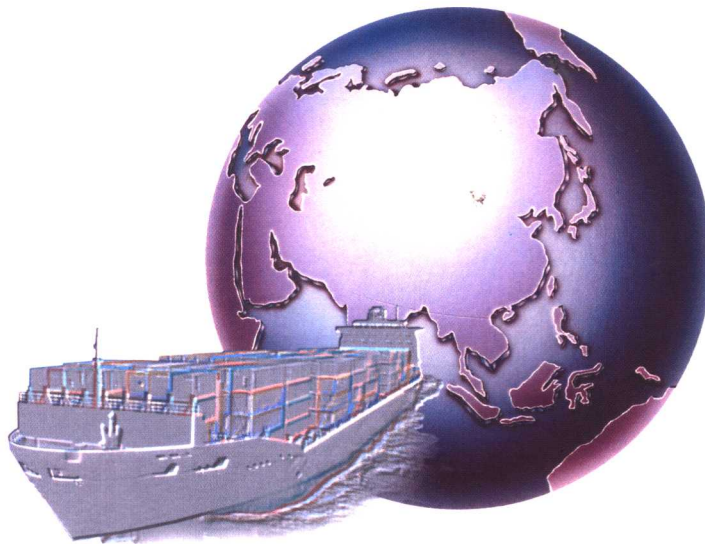


2004

THE REPORT ON CHINA'S

SHIPPING DEVELOPMENT



The Ministry of Communications of the People's Republic of China

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Chapter 1 General Descriptions of China's Shipping

——A Review of 2004 and a Preview of 2005 (1)

- 1.1 China's Waterway Transport in 2004 (1)
- 1.2 China's Waterway Infrastructure Construction in 2004 (6)
- 1.3 China's Shipping Fleets (7)
- 1.4 Shipping to Hong Kong, Macao and Taiwan (9)
- 1.5 WTO and the Opening of China's Shipping to the Outside World ... (12)
- 1.6 Administration and Legislation of Chinese Shipping (14)
- 1.7 Prospects and Guidelines for China's Shipping
Development in 2005 (16)

Chapter 2 International Shipping (19)

- 2.1 China's Foreign-Trade Shipping in 2004 (19)
- 2.2 2004 World Shipping Market (21)
- 2.3 International Shipping Companies and Fleets (24)
- 2.4 Chinese International Shipping Policy and Administration in 2004 ... (26)

Chapter 3 Domestic Shipping (28)

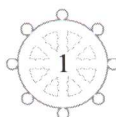
- 3.1 Coastal and Inland Waterway Transport (28)
- 3.2 Major Bulk Cargo Transport (29)
- 3.3 Transport of Special Cargoes (32)
- 3.4 Passenger Transport (33)
- 3.5 Domestic Shipping Companies and Fleets (35)
- 3.6 Domestic Shipping Administration (36)
- 3.7 Prospects for Domestic Shipping in 2005 (38)

Chapter 4 Container Transport (41)

- 4.1 Container Ports in China (41)
- 4.2 China's Foreign-Trade Container Transport Market (44)
- 4.3 China's International Liner Companies (48)
- 4.4 China's Domestic Container Feeder Transport Market (50)
- 4.5 China's Container Transport for Domestic-trade (51)
- 4.6 Review and Preview of the World Container Transport Market (52)
- 4.7 Administration of China's Container Transport (56)

Chapter 5 Maritime Auxiliary Service and Logistics Service (57)

- 5.1 International Ship Agency Service (57)





CONTENTS

5.2 Tallying Service for Foreign Ships	(59)
5.3 Piloting Service	(60)
5.4 Logistics Service	(61)

Chapter 6 Port Service	(64)
6.1 Chinese Port Services in 2004	(64)
6.2 China's Port Administration in 2004	(68)
6.3 2005 Overview of Chinese Port Management	(70)

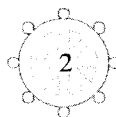
Chapter 7 Construction and Administration of Waterway	
Transport Infrastructure	(72)
7.1 China's Port Construction in 2004	(72)
7.2 China's Fairway Construction in 2004	(75)
7.3 Administration of China's Waterway Transport	
Infrastructure Construction in 2004	(76)
7.4 Prospects for the Administration of Ports	
and Fairways Construction in 2005	(78)

Boxes

Box 1.1 China's Planning for Port Construction in	
Three Major Regions	(7)
Box 1.2 Cross-Straits Shipping Administration	(12)
Box 1.3 Sino-US Bilateral Maritime Agreement Takes Effect	(13)
Box 3.1 Passenger Ferry Service Offered by the	
Guangzhou-Haikou Railway	(34)
Box 3.2 <i>The Main Dimensions of Vessel Type Standardization</i>	
<i>in the Chuajiang River and Three Gorges Reservoir</i>	
<i>Region and Other Relevant Regulations</i>	<i>(37)</i>
Box 6.1 The Promulgation of <i>The Regulations for Shanghai Port</i> by	
the Shanghai Municipal Port Administration Bureau	(68)
Box 7.1 Nine Trunk Fairways in Northern Zhejiang Province	
Classified as "Four-self" Fairways	(76)

Graphs

Graph 2.1 Iron Ore Handled at Five Major Chinese Ports in 2004	(20)
Graph 2.2 Export Coal Handled at Five Major Chinese Ports in 2004 ...	(21)
Graph 2.3 Trend of the World Oil Tanker Freight Index in 2004	(22)





CONTENTS

Graph 2.4	2004 Baltic Dry Index	(22)
Graph 3.1	China Coastal Bulk Freight Index for 2004	(29)
Graph 3.2	China Coastal Coal Freight Indexes for 2004 along major domestic routes	(30)
Graph 3.3	China Coastal Crude Oil Freight Index for 2004	(31)
Graph 3.4	China Coastal Ore Freight Index for 2004	(32)
Graph 4.1	CCFI for 2004	(45)
Graph 4.2	China-West Coast America Service Freight Index for 2004	(46)
Graph 4.3	China-Europe Service Freight Index for 2004	(46)
Graph 4.4	China-Japan Service Freight Index for 2004	(47)
Graph 6.1	The Proportions of the Throughputs for Various Cargos at Large Ports in 2004	(65)

Tables

Table 1.1	Cargo Transport Volumes, Turnovers and Growth Rates for China's Major Modes of Transport	(3)
Table 1.2	Throughput at Chinese Ports in 2004	(4)
Table 1.3	Passenger Transport Volumes and Growth Rates for Major Modes of Transport in 2004	(4)
Table 1.4	Fleet Sizes of Chinese Shipping Companies	(8)
Table 1.5	Cargo Handled at Hong Kong Port in 2004	(10)
Table 1.6	Containers Handled at Hong Kong Port in 2004	(10)
Table 1.7	Voyages and Container Volumes of the Trial Direct Sailing across the Taiwan Straits from 1997 to 2004	(11)
Table 2.1	2004 World Bulk Shipping Indexes	(22)
Table 2.2	Sizes of World Merchant Fleets in December, 2004	(23)
Table 2.3	Chinese International Shipping Capacity in December, 2004	(24)
Table 2.4	Major Solely Overseas-owned Shipping Companies By December, 2004	(25)
Table 2.5	Major Solely Overseas-owned Container Service Companies By December, 2004	(25)
Table 3.1	Passenger Throughputs at Main Coastal and Inland Ports in 2004	(33)
Table 3.2	Statistics for China's Waterway Transport Vessels in 2004	(35)

Table 4.1	Throughputs of China's Top 10 Container Ports in 2004	(42)
Table 4.2	China Containerized Freight Indexes (CCFI) for 2004	(45)
Table 4.3	Ranks of Container Fleet Capacities of Chinese Carriers in 2004	(49)
Table 4.4	Container Throughputs for Feeder Service of China's Main Ports in 2004	(50)
Table 4.5	Container Throughputs of China's Main Ports for Domestic trade in 2004	(51)
Table 4.6	Throughputs of the World's Top 20 Container Ports in 2004	(53)
Table 4.7	Statistics for the World's Container Fleet Size	(54)
Table 4.8	The World's Top 20 Liner Companies in Terms of Carrying Capacity in 2004	(55)
Table 5.1	China Tally's Subsidiaries at Various Ports	(59)
Table 6.1	Top 10 Chinese Coastal Ports in Cargo Throughput in 2004 ...	(66)
Table 6.2	Top 10 Chinese River Ports in Cargo Throughput in 2004 ...	(68)

Appendixes

Appendix 1	Major Events in China's Shipping Industry in 2004	(81)
Appendix 2A	Throughputs of China's major coastal ports (1996~2004)	(84)
Appendix 2B	Throughputs of China's major river ports (1996~2004)	(85)
Appendix 3A	Throughputs of major cargoes at China's coastal ports (1996~2004)	(86)
Appendix 3B	Throughputs of major cargoes at China's river ports (1996~2004)	(86)
Appendix 4A	Throughputs of foreign-trade cargo at China's major coastal ports (1996~2004)	(87)
Appendix 4B	Throughputs of foreign-trade cargo at China's major ports along the Yangtze (1996~2004)	(88)
Appendix 5	Container throughputs at China's major ports (1996~2004)	(89)
Appendix 6	Aggregate cargo volume shipped by vessels in China (1996~2004)	(89)
Appendix 7A	Main indexes of China's national economy (1996~2004)	(90)



CONTENTS

Appendix 7B	Cargo volume achieved by the main transport modes of the whole trade (1996~2004)	(90)
Appendix 7C	Cargo turnover achieved by the main transport modes of the whole trade (1996~2004)	(91)
Appendix 7D	Passenger volume achieved by the main transport modes of the whole trade (1996~2004)	(91)
Appendix 7E	Passenger turnover achieved by the main transport modes of the whole trade (1996~2004)	(92)
Appendix 8	China Containerized Freight Index (CCFI) (2004)	(93)
Appendix 9	China Coastal (Bulk Cargo) Freight Index (2004)	(95)

Chapter 1

2004

General Descriptions of China's Shipping—A Review of 2004 and a Preview of 2005

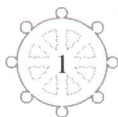
1.1 China's Waterway Transport in 2004

The high speed growth in the world economy and international trade in 2004 created a favorable environment for China's waterway transport. In this situation, the national economic development provided a huge demand for transport, which propelled development of port and waterway construction, and expanded the transport capacity. With the new records of waterway transport indicators being exceeded over and over again, the nation's waterway cargo transport volume and turnover kept rising (See Table 1.1), port throughput maintained a high growth rate (See Table 1.2), and waterway passenger transport volume and turnover both increased steadily (See Table 1.3).

● China's Waterway Transport Volume in 2004

1. Continual Increase in Waterway Cargo Volume and Turnover

The nation's waterway cargo transport volume in 2004 amounted to 1.87 billion tons, and the cargo turnover to 4.14 trillion ton-kilometers, up by 18% and 44% respectively over the previous year. The waterway cargo transport volume have the 10.98%



among the five transport modes (road, rail, waterway, aviation, tube, we say "entire transport system" next), an increase of 0.86% over the previous year; while the waterway cargo transport turnover accounted for 59.66% of the total, up 6.34%, being the largest component in the transport system. Coastal, inland and ocean transport volumes all increased. The coastal cargo transport volume reached 563 million tons, and the cargo turnover rose to 698.9 billion ton-kilometers; the inland cargo transport volume registered 916 million tons, and the cargo turnover stood at 218.4 billion ton-kilometers; the ocean cargo transport volume recorded 395 million tons, and the cargo turnover came to 3,225.5 billion ton-kilometers.

2. Remarkable Growth in Waterway Container Volume

China's waterway container transport volume reached 16.05 million TEU or 159 million tons in 2004, which rose 5.4% and 6.2% respectively over the 2003 figures. Of those, 12.07 million TEU or 112 million tons were carried by sea, up 3.8% and 5.6% from 2003.

3. Stable Recovery of Waterway Passenger Volume and Turnover

China's waterway passenger transport volume in 2004 made a reasonable recovery. The nation's waterway passenger transport volume registered 190 million person-times, up 12% over the previous year, whereas the passenger turnover 6.63 billion person-kilometers, up 5.2%. Passenger volume made up 1.1% of the entire transport system, just as in 2003. Passenger turnover constituted 0.4% of the system, down 0.1% from the previous year. In terms of the various navigation zones, inland passenger volume amounted to 119.38 million persons, up 16.7% from 2003; coastal passenger volume advanced to 65.12 million, up 1.0%; and the ocean passenger volume to 5.90 million, up 27.2%.

● Throughput at Chinese Ports in 2004

The transport demand remained strongly for foreign-trade transport and domestic-trade transport of coal, crude oil, ore and other major bulk cargo. The throughput of domestic-trade and foreign-trade cargo at coastal and river ports both increased by a big extent. For the first time the throughput at the Mainland ports ranked No.1 in the world. Port load and unload operation were

very busy and operated over their capacity. Both the cargo throughput and container throughput ranked first in the world in 2004.

1. Continual Fast Growth in Port Cargo Throughput

Cargo throughput achieved by the ports in 2004 reached 4.17 billion tons, up 26.6% over 2003, including 2.54 billion tons handled by the coastal ports, up by 23%, and 1.63 billion tons by the river ports, up by 32.5%. The eight 100 million-ton-class ports of Shanghai, Ningbo, Tianjin, Guangzhou, Qingdao, Qinhuangdao, Dalian and Shenzhen processed 1.62 billion tons of cargo, increasing by 20.8% and making up 64% of the aggregate coastal port throughput.

2. Continual Growth in Foreign-trade Cargo Throughput

Thanks to China's strong foreign-trade economy and soaring import and export value, its foreign-trade cargo throughput rose 18.9% to 1.15 billion tons. Within this figure, 1.06 billion tons were handled at coastal ports, up 19.4%; and 99 million tons at river ports, up 13.7%.

3. Continual Fast Growth in Container Throughput

China's container throughput soared 26.6% to 61.60 million TEU; 56.62 million TEU were handled at coastal ports, up 27.1%; and 4.98 million TEU at river ports, up 20.9%.

4. Port Cargo Throughput Featured by Dry Bulk Cargo

The country's dry bulk cargo throughput recorded 2.34 billion tons, up 31.5% over a year earlier; the liquid bulk cargo throughput was 540 million tons, up 18.7%; the break bulk cargo throughput was 559 million tons, up 15.7%; the container throughput was 551 million tons, up 25.4%; and the Ro/Ro vehicle throughput was 187 million tons, up 30.1%. The dry bulk cargo, liquid bulk cargo, break bulk cargo, containers and Ro/Ro vehicles accounted for 56%, 12.9%, 13.4%, 13.2% and 4.5% respectively of the total port cargo throughput.

● International Shipping

The total import and export value of Chinese foreign trade in 2004 amounted to US\$1154.7 billion, up 35.7% from 2003. Boosted by the increase of cargo import and export, the foreign-trade shipping market boomed,

Table 1.1 Cargo Transport Volumes, Turnovers and Growth Rates for China's Major Modes of Transport (Units: 10,000 tons / 100 million ton-kilometers)

Year	Waterway		Highway		Railway		Pipeline		Airway	
	Transport volume	Cargo turnover	Transport volume	Cargo turnover	Transport volume	Cargo turnover	Transport volume	Cargo turnover	Transport volume	Cargo turnover
1980	46,833	5,077	142,195	343	111,279	5,717	10,525	491	9	1
1985	63,322	7,729	538,062	1,903	130,709	8,126	13,650	603	20	4
1990	80,094	11,592	724,040	3,358	150,681	10,622	15,750	627	37	8
1995	113,194	17,552	940,387	4,695	165,855	12,870	15,274	590	101	22
2000	122,391	23,734	1038,813	6,129	165,500	13,336	18,700	639	160	50
2001	133,000	25,989	1056,000	6,330	178,000	14,274	18,700	636	170	44
2002	142,000	27,510	1,116,000	6,782	186,900	15,085	20,100	683	198	52
2003	158,000	28,716	1,160,000	7,100	221,200	17,247	22,000	739	217	58
2004	187,000	41,429	1,245,000	7,841	249,000	19,289	24,500	812	273	72
Growth in 2004(%)	18	44	7.3	10.4	12.6	11.8	11.4	9.9	25.8	24

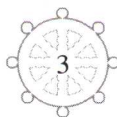


Table 1.2 Throughput at Chinese Ports in 2004

Index	Unit	2003	2004	Up from 2003 (%)
1. Port cargo throughput	10,000 tons	329,646	417,170	27
Coastal	10,000 tons	206,360	253,777	23
River	10,000 tons	123,286	163,393	33
2. Port foreign-trade cargo throughput	10,000 tons	97,117	115,478	19
Coastal	10,000 tons	88,410	105,575	19
River	10,000 tons	8,707	9,903	14
3. Port container throughput	10,000 TEU	4,867	6,160	27
Coastal	10,000 TEU	4,455	5,662	27
River	10,000 TEU	412	498	21
4. Port passenger throughput	10,000 persons	18,327	19,969	9
Coastal	10,000 persons	6,450	7,634	18
River	10,000 persons	11,877	12,335	4

Table 1.3 Passenger Transport Volumes and Growth Rates for Major Modes of Transport in 2004 (Unit: 100 million person-times / 100 million person-kilometers)

Transport modes	Waterway		Highway		Railway		Airway	
	Passenger transport volume	Passenger turnover	Passenger transport volume	Passenger turnover	Passenger transport volume	Passenger turnover	Passenger transport volume	Passenger turnover
2000	1.94	100.5	134.74	6,657.4	10.18	4,414.7	0.67	970.5
2001	1.86	89.9	140.3	7,207.1	10.15	4,625.7	0.75	1,076.5
2002	1.90	81.8	147.5	7,805.8	10.16	4,792	0.84	1,242
2003	1.70	63	146.4	7,695.6	9.35	4,789	0.87	1,263.4
2004	1.90	66.3	162.45	8,748	11.18	5,712	1.21	1,782.7
Growth rate in 2004 (%)	12	5.2	11	13.7	19.6	19.3	39	41



and foreign-trade cargo transport volume experienced a tremendous growth.

1. Big Increase in the Transport of Import Crude Oil

Stimulated by the rapid growth in such industries as automobile, chemical and electricity, China's oil demand have a big increase. China's oil consumption reached 290 million tons in 2004, while crude oil production recorded only 175 million tons. This undersupply of domestic oil in 2004 led to a tremendous boost in import crude oil. Waterway crude oil imports exceeded the 100-million-ton mark, reaching 110 million tons, up 25% over the last year. Thus China had become the second largest oil consumer in the world. More than 92% of the imported oil of China was carried by sea. Therefore maritime played a leading role in meeting domestic oil consumption, to ensure national economy running smoothly, and meet the needs of the people's daily life much more.

2. Continual Growth in the Transport of Import Ore

The metallurgical industry in 2004 maintained a fast growth. Although the state adopted some macro-regulatory measures such as closing the small and medium-size steel plants. Although it made quantity of the steel plant production drop down, but it rebounded in the third and fourth quarter. This recovery caused an enormous jump in the quantity of import ore. China's major coastal ports handled 202 million tons of import ore with an increase of 55 million tons, up 38% over the previous year's figure. The growth rate for import ore for the second quarter reached as high as 76%.

3. More Coal Imported and Less Coal Exported

Domestic undersupply of coal in 2004, forced some power plants in the eastern coastal areas to turn to the global market for coal to meet local demands for power. As a supplement to the domestic coal supply, coal imports in 2004 stood at 14.35 million tons, sharply increased by 81%. In order to guarantee the domestic coal supply, the state's macro-regulatory policies had produced some effect. Coal export volume shrank in 2004, totaling 86.87 million tons, down by 7.6%.

4. Less Grain Exported and More Grain Imported

China, a net importer of rice in 2004, experienced a drop in grain exports and an enormous increase of grain imports, including 4.54 million tons of exported grain, a decrease of 78.2%, and 30.74 million tons of

imported grain, an increase of 40% over a year earlier.

● Domestic Shipping

China's waterway transport in 2004 gained a great achievement due to the surging demand for such important cargo as coal, petroleum and ore. The coastal cargo transport volume and cargo turnover reached 563 million tons and 698.9 billion ton-kilometers, up by 32% and 49% respectively year on year.

In 2004, the great demand surpasses the carrying capacity in the coastal transport market. Hence the state took effective measures to guarantee the transport of coal, petroleum, etc., to relieve the strain of thermal coal undersupply and basically meet the needs of domestic energy transport. Vessels frequently had to wait for coal cargo owing to the shortage of railway carrying capacity and imbalance in coal dispatch at the major ports in China's northern area.

During the period of high summer power consumption in mid 2004, coal inventory in southern power plants declined sharply. More than 20 provinces and municipalities were in urgent need of thermal coal. In view of this, shipping and port enterprises strengthened transport coordination by tapping their potential, enlarging and transforming their capacity, adjusting carrying capacity, and arranging for foreign-trade vessels to carry thermal coal. In this way they ensure to transport the state's important cargoes. Meanwhile, coal inventory in the power plants was on the rise through rail-waterway and water-highway join together to transport. These initiatives supported the normal power supply in the southern provinces and assured stability of the national economy and the standard of living.

The main northern coal-dispatching ports like Qinhuangdao, Tianjin, Huanghua, Jingtang, Jinzhou, and Yingkou, the main eastern and southern discharging ports like Ningbo and Guangzhou, and the shipping enterprises like China Shipping and COSCO all contributed greatly to the transportation of the state's important cargo and to the stability of China's economy and the people's life.

In 2004, the carrying capacity in the coastal transport market fell short of the strong demand, leading to steadily soaring freight rates, as was shown by the China Coastal Bulk Freight Index (CBFI) issued by Shanghai Shipping Exchange (SSE), which climbed

as high as 1717.61 points in mid-May. However, freight rates slid down in the second half of the year due to the implementation of the state's macro-regulatory policy, as was shown by CBFI, which closed up at 1524.72 points on December 31, 2004, an increase of 8.5% as compared with that at the beginning of the year.

Yangtze shipping in 2004 enjoyed its boom times. Under the impetus of the accelerated development of industrial economy along the River, the cargo throughput, foreign-trade cargo throughput and container throughput developed with two-digit growth. The carriage of Ro/Ro vehicles, liquefied chemicals and bulk cement maintained rapid growth, with growth rate and transport volume both being the highest in history. In 2004, the cargo transport volume along the Yangtze came to 357 million tons, up by 16.1% over the previous year; 1.82 million TEU of container volume were handled, an increase of 27.8% over a year earlier.

● Container Transport

The rapid growth on China's foreign trade inspired the expansion of foreign-trade containers. With the continually increasing demand for container transport, China's waterway container transport volume in 2004 recorded 16.05 million TEU or 159.38 million tons, up 5.4% and 6.2% respectively.

China's port container throughput in 2004 kept growing, with the throughput accomplished by the Mainland making up 17.3% of the global volume. The container throughput achieved by the main ports in China amounted to 61.60 million TEU, up by 26.6% over the figure in 2003. Within this total, 56.62 million TEU were the work of coastal ports, up by 27.1%, 4.98 million TEU were expedited by the river ports, up by 20.9%.

In 2004, container throughput recorded by Shanghai and Shenzhen ports stood at 14.55 million TEU and 13.66 million TEU, increased by 29% and 28.2% respectively as compared with those of 2003, still

leading the list of major container ports in the world. The port of Ningbo topped 4 million TEU of container throughput at the growth rate of 44.5%, ranking No.4 among the Mainland's ports. The container volumes at the ports of Yingkou, Weihai and Lianyungang all kept a growth rate of more than 40%.

The global container transport volume in 2004 grew slightly faster than carrying capacity, which caused an undersupply of container transport market. During the peak period shipping space along most shipping lines proved inadequate, and the freight rates for liner services kept going up on a high base comparison over a year earlier. China Containerized Freight Index (CCFI), an index reflecting the trend of the Chinese export container transport market, went up in a fluctuating trend. The index ended at 1174.23 points on December 31, 2004, a year-on-year increase of 8.28%. The China/Europe services turned in excellent performances while the China/North America services showed good booking in off-season periods and better booking during the peak time. The freight rate indexes for the Europe shipping line issued by SSE reached 1546.03 points on average, an average increase of 10.9% over the figure in 2003. Concurrently, the freight indexes for lines to the West Coast of the United States were 1326.38 points, a year-on-year increase of 5.1%. In the face of fierce competition in near ocean lines, the cargo volume for the Japan line grew steadily, but the freight index fluctuated; cargo volume for the Korea line was comparatively steady, but the freight index fluctuated narrowly.

Domestic-trade container transport developed steadily in 2004, and the transport market along the domestic feeder lines of the Yangtze and Pearl River Delta and Bohai Bay matured further. The domestic-trade container throughput at China's major ports increased significantly compared with 2003, totaling 10.51 million TEU, an increase of 28% over the previous year.

1.2 China's Waterway Infrastructure Construction in 2004

● Infrastructure Construction in Ports

To adapt to the rapid growth in the demand

for foreign and domestic trade transport and to the requirements for larger vessels, China speeded

construction of the Shanghai International Shipping Center, and port groups in the Yangtze River Delta, Pearl River Delta and Bohai Bay. Investment in coastal port construction in 2004 reached 33.64 billion yuan, up 39.9% over the previous year. Sixty berths, including 38 10,000-ton-class berths, were newly built or extended, yielding an additional handling capacity of 95.50 million tons. By the end of 2004, production berths at the coastal ports totaled 4,197, of which 790 berths could accommodate 10,000-ton-and-above vessels, with an annual handling capacity of 2.2 billion tons. The completion of large specialized terminals for containers, ore, crude oil and coal had greatly improved the functioning of hub terminals. Consequently, the inadequacy of port capacity was counteracted to a certain extent. This expansion strongly supported the development of the national economy and foreign trade.

● Infrastructure Construction in Inland Waterways

Inland waterway infrastructure construction in 2004 entered a stage of rapid development. The rebuilding and improving waterway project at the trunk line or main navigation channels on the Yangtze River was going well. some waterway projects at

several shoals were launched. Some waterway silt-removing projects began to produce effects. An investment of nearly 7.14 billion yuan was made in inland waterway infrastructure construction, a rise of 32.7% over the previous year, with an increase of 13.32 million tons in handling capacity. Improved inland navigation channels equaled 472 kilometers.

● Inadequate Port Capacity

In all, the waterway infrastructure facilities were just adequate for social and economic development. Considering the soaring demand for transport, port capacity proved insufficient in some major coastal hub ports, which resulted in a pressing need for port transformation and port capacity expansion. Therefore, China is expected to step up construction of coastal and inland ports as well as maintenance of navigation channels. This will accelerate construction of coal terminals, ore terminals, large-size container terminals and deep-draft fairways at coastal ports. It will also implement the planning for port construction in the Yangtze and Pearl River Delta and Bohai Bay.

Box 1.1 China's Planning for Port Construction in Three Major Regions

On December 22, 2004, Premier Wen Jiabao presided over a meeting for the State Council standing members, where *The Planning for Coastal Port Construction in the Yangtze River Delta, Pearl River Delta and Bohai Bay Region* was examined and approved in principle. The meeting concluded that in coastal port construction planning and its realization for the above three regions, we should consider serving the whole world, the future, and the country's economic and social development.

According to the planning, China in the next five years is expected to construct three port groups in the Yangtze River Delta, Pearl River Delta and Bohai Bay region, all of which enjoy a fast-growing economy. The construction will focus on large terminals for intensified operation and special cargoes. By the year 2010, handling capacity of these port groups will reach at least 3.5 billion tons, so three comprehensive sea-transport corridors will come into being.

1.3 China's shipping Fleets

China's shipping industry in 2004 stepped up its efforts to restructure its carrying capacities to promote ship enlargement, modernization and standardization. Ocean, coastal and river shipping fleets were expanding continually; their technological level kept improving as well. The 8500-TEU container vessels and

300,000-ton oil tankers ordered by China's shipping companies were put into operation. World-class LNG carriers of the most advanced type were being built.

China owned a fleet of 211,000 ships with a net deadweight of 86.17 million tons. Fleet structure was further optimized. Its containership fleet ranked No.6

