Changing Shipping Policy Makes China Access Easier

By Ursula Chen and Jim Caron

It looks like smooth sailing for shipping goods to China these days with new port upgrades and the government making facility building and trade a national priority.

World Trade Organization negotiations have the potential to help U.S. agribusinesses enter China, but important–and beneficial–changes for the shipping industry are already in place.

Good News About Shenzhen

Twenty years ago, Shenzhen was a remote fishing village. Today, thanks to China's economic reform, it is one of the wealthiest cities in China.

Shenzhen, blessed with an ideal geographical location and efficient transportation network, allows shippers to reach important centers of economic activity in South China such as Hong Kong, Macau, Guangzhou and the Pearl River Delta.

Shenzhen's location and infrastructure were essential to its selection as the first Special Economic Zone of China. These zones are principal trading centers where officials may have the authority to expedite business matters.

With China's entry into the WTO, the ports of Shenzhen expect to assume a bigger role in grain handling. In fact, some of them expect to become China's primary ports for grain shipments.

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When Shenzhen was first developed, construction materials were in high demand; bringing them in became one of the major businesses of the ports in Shenzhen.

Now that the core of the Special Economic Zone is fully developed, some of the ports have switched their business to handling bulk commodities, including wheat and soybeans.

Opportunities in the region may expand as grain importing, trading and processing in South China are expected to rise.

Shenzhen has four large-scale flour mills that processed 5 million tons of grain in 1999. In the same year, this city's ports transported 2.5 million tons of wheat to areas in the nearby Pearl River Delta.

Among the ports of Shenzhen, the ones most involved in grain handling are the Shekou and Chiwan Ports.

For details, see FAS report CH1602. To find it on the web, start at **www.fas.usda.gov**, select **attache reports** and respond to the dialogue boxes.

Other Ports With Potential

Despite the efficiency of other Chinese ports such as Qingdao, Shanghai, Dalian, Xingang, Huangpu and Fuzhou, most U.S. agricultural cargo arrives in Hong Kong. All ports are looking to add capacity, especially Shanghai, Xingang and Dalian, where extensive investments are planned.

How Much Does it Cost?

As the distance between U.S. and Chinese ports varies considerably, so does the cost of shipping. For example, if exporters ship frozen beef to the port of Xingang, Beijing, they pay about 24 percent more than when shipping it to Hong Kong.

One reason shipping to Xingang costs so much is that goods must be transhipped through other ports before they can reach that location. If Xingang increases its capacity, however, this may change.

Overall, shipping fees to China are becoming more affordable. New U.S. regulations have curbed the influence of ocean shipping cartels such as the Westbound Transpacific Stabilization Agreement, formed of 12 Pacific Ocean shipping lines. This group once dominated the pricing of ocean transport between the United States and Asia, but their voices are now muted.

Ocean carriers can still meet and discuss rate levels and capacity, but carriers do not necessarily have to maintain standard rate levels. Ocean carriers in the Asian trades did announce in 2000 increases in the cost of shipping refrigerated goods like apples in 2001.

Major Shipping Lines to China

A major advantage of the ocean container-shipping market is the competition between lines which drives down rates and increases service. Although market share may change each year, here are the top 10 shipping lines for China.

Name	Percent Market Share for 2000
COSCO	16 percent
Maersk-SeaLand	14 percent
Hanjin	14 percent
NOL-APL	10 percent
Hyundai	9 percent
Mitsui OSK	7 percent
OOCL	6 percent
K Line	5 percent
Evergreen	4 percent
Yang Ming	3 percent
Other	12 percent

However, shipping rates for certain products are now at record lows. For example, an average shipment of apples (one 40-foot container weighing between 18 and 30 pounds) to Hong Kong costs $2,775, 20 percent less today than it did three years ago. ■

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