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COSCO Development Strategy

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COSCO 발전전략에 관한 연구

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요 약

1961년 설립된 COSCO는 현재 세계최대 선박회사의 하나로 성장해왔으며 그의 컨테이너선대는 세계 7위로 부상되었다. 본 연구는 중국 경제체제 개혁에 따른 COSCO의 발전전략을 연구하였다.

Abstract

Since its establishment in 1961, COSCO has developed to be one of the top ten shipping conglomerates in the world with its container fleet having grown to be number seven in terms of slot deployed. The purpose of this study is to examine COSCOs development strategy in the period of Chinese economic reform, and analyse its effects on COSCOs development.

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1. Introduction

Before 1978, the development pattern and growth performance of a state-owned enterprise (SOE) in China largely depended on the central governments arrangement, which was strongly influenced by its politically driven strategy. In the shipping industry, the SOEs were simply subsidiaries of the Ministry of Communication (MOC), and many important decisions, particularly concerning the expansion of the fleet, were made directly by government departments. All profits earned by the enterprises were handed over to government, while all losses were underwritten by it.[1] The result of this was to make the main task of a shipping company to fulfil the states plan. For instance, the objectives of China Ocean Shipping (Group) Company (COSCO) was to serve China by carrying cargo thus earning foreign currency.

The opening policy adopted by Chinese government has made a great contribution to Chinese international trade over the past two decades. Due to the expansion of foreign trade, international transportation has become particularly important. According to statistical reports from the MOC, on average over 75% of foreign trade is carried by sea annually. However, despite this significant growth in foreign trade, the shipping market has become highly competitive due to the emergence of numerous domestic and foreign ocean carriers. Faced with this increasingly competitive global market, COSCO has had to find ways to be more competitive. Since separated from the MOC in 1984, it has maintained the restructuring of its organisation and strategy, and added as objectives the making of the best possible return on equity, maintaining the strongest possible cash flow, paying the companys taxes, being good and socially responsible corporate citizens and respecting the environment. In COSCO's 2001 working conference, a clear idea on its development strategy was given as strengthening shipping business, developing logistics, and to access capital markets, *etc.*

Today COSCO has emerged as a complete commercial entity based on Chinese Corporate Law and running independently in the market. It owns and operates one of the largest fleets of ships in the world with about 500 ships comprising of most types and of over 20 million dwt, trading to practically everywhere. The objective of this study is to examine COSCO's development strategy in the period of Chinese economic reform, and analyse its effects on COSCO's development. Data was collected by literature survey and interviews with managers of COSCO and MOC.

2. Implementing Economic Contract Responsibility System (ECRS)

2.1 ECRS in SOE

Reform of Chinese SOE has been a gradual and incremental process focused mainly on a progressive increase in managerial autonomy. Between 1984 and 1985 the enterprise income tax on state-owned enterprises was introduced and tax payments replaced profit remittances as the main source of fiscal revenue from enterprises. In turn the enterprises were allowed to retain most of their after-tax profits and their depreciation funds.

In 1986, after its successful experiments in the Chinese agriculture sector, ECRS (which permits enterprises obligations to the government to be determined on the basis of contracts defining their

1) Wan, H., The Effects of the Chinese Fiscal System on Shipping: A Comparison with the UK Regime, *Maritime Policy and Management*, Vol. 15, No. 4, pp. 299-300, 1988.

output and profit remittances) was introduced to medium-sized and large SOEs on a nation wide basis.

In 1992, according to the Enterprise Law of 1988 and its implementing regulations, the Chinese government no longer interfered with the operations of the enterprises, and they were endowed with a set of 14 rights over their operations. However, they were expected to be accountable for their performance; inefficient and loss-making enterprises to be restructured or closed down in accordance with the Bankruptcy Law 1986.[2] Since then ECRS has become an integral part of the enterprise to increases incentive for cooperation but with penalties for non-cooperation.

2.2 ECRS on Board

COSCO started its experiment with ECRS (taking it on board) since it was introduced to reform the Chinese agriculture sector in 1979 as an attempt to improve the economic efficiency of those enterprises and effectively monitor management behaviour. At the initial stage, it took the form of a contract between a subsidiary company and a ship under its control in which the latter took the responsibility of achieving certain end-results. This was, in turn, related to the economic interests of individuals on board the ship by rewards and penalties.[3]

In 1979, Yu Lin and Lu Feng, managed by COSCO Guangzhou, implemented ECRS. The master and chief engineer of each ship chose officers and ratings, subject to consultation and with the approval of the personnel department ashore. Each ship entered into a three-year contract with the company for the responsibility of controlling the time and costs of ship repair and spares expenditure. These responsibilities were expressed in targets quantified by shore management and agreed by ship.

The rewards and penalties were set as the same proportion of the costs saved or overspent, though the percentage differed from item and item. For instance, if ship repair time was reduced by more than 10 days the ship could earn a reward of 15% of the planned repair costs per day, calculated from the 11th day if the repair costs were saved, with 10% of the saved costs being rewarded as bonus. One year later, the operating results of these two ships showed a significant improvement. The profit of Yu Lin achieved 178.16% of the planned amount, and Lu Feng also made a profit, ending years of loss making.

The experiment with ECRS was then extended to cover 75 ships operated by COSCO Shanghai, Guangzhou, Dalian and Tianjin, and the responsibilities were also extended to safety, service quality, time and quantity of ship repair, fuel costs, provisions, spares, voyage time and profit, *etc.* By mid 1985, up to 269 of COSCO's ships of various types and sizes had adopted ECRS, accounting for 57% of the COSCO's ships. In 1988, the responsibilities held ashore were wholly transferred to the master of a ship, and all COSCO's ships had implemented ECRS prior to 1990.

The implementation of ECRS over the years has greatly increased the efficiency of COSCO's shipping management. Firstly, there was, in general, a significant reduction in ships costs. Secondly, contract ships have reported better safety records while, thirdly, shipboard management has been improved by increased team sense and job sat-

2) Tseng, W., *Economic Reform in China: A New Phase*, Washington DC: IMF, pp. 42-3, 1994.
3) Wan, H., The Economic Responsibility System on Board Chinese Ships, *Maritime Policy and Management*, Vol. 15, No. 1, pp. 77-80, 1988.

isfaction, with crew on board found to be more disciplined, cooperative and responsible.[4] These improvements could be seen as resulting from a successful experiment of the theory of motivation on management.[5]

2.3 ECRS on shore

In 1988, approved by the MOC, COSCO implemented ECRS on shore management. The ECRS took three forms: contract between COSCO and MOC, contract between COSCO and its subsidiaries, and contract between a department and the company. Under the contract between COSCO and MOC, the development strategies were set to develop the fleet management, focusing on the container lines and expand the companies oversea business. COSCO was responsible for the control of safety, improvement of technology, earning profit and ensuring the transportation of important goods of the nation. The ECRS of the other two forms varied from company to company and the responsibility mainly covered the amount of profit, certain improvements in production technology and a growth in the companys real assets, etc. The total wage bill of COSCO was linked to the achievement of the targets listed in the contract.

From 1988 to 1990, 90% of COSCO's subsidiaries implemented ECRS, the volume of cargo transported increased by 4.5%, and the real assets of COSCO increased by 270 million US dollars. Since the COSCO Groups establishment in 1993 it has continuously implemented ECRS as a main strategy to improve management efficiency and to motivate managements behavior. ECRS has succeeded in raising productivity, profitability and investment, and brought a substantial growth of diversified business. Nevertheless, several problems have been encountered in the implementation of ERCS. For example, there have been difficulties in setting up appropriate targets and there is evidence of short sighted behavior such as less incentive to invest in new lines and exploitation of customers in the last year of the contract term as their immediate effects were not apparent.

3. Establishing joint ventures

Before 1979, there were only four shipping joint ventures in China established by the Chinese government, mainly with former socialist countries: Poland, Czechoslovakia, Albania and Tanzania. These joint ventures were in the fields of ship purchase and fleet management. Since the adoption of the open door policy and formulation of the policies to attract foreign investment in late 1970s, the Chinese shipping industry has established numerous joint ventures with Japan, Holland, Singapore, and America, *etc.* and their business has extended into ship repair, container manufacture, terminal construction and fleet operation. The main reasons for these foreign companies entering into joint ventures with China were to reduce their costs, enter new business areas, acquire new means of distribution and enter the domestic markets. The motives for the Chinese companies included acquisition of new technology, access to modern production and management techniques, and earning hard currency, *etc.*

3.1 Motives for Joint Ventures

While the foreign shipping companies attempted to increase their share of the Chinese market

4) *Ibid.*

5) Weihrich, H. and Koontz, H., *Management: A Global Perspective*, Tenth Edition, New York: McGraw-Hill Inc., pp. 463-85, 1994.

COSCO also tried to obtain a share of the international market. Extending overseas business was set as a long-time development strategy since the Chinese government encouraged overseas investment and cooperation in 1979. Before COSCO began the restructuring of its overseas business in 1997, it had set up more than 50 joint ventures engaged in the fields of shipping agency, facility supply, chartering, ship repair, bunker supply, CY management and fleet management, etc. The partners were mainly from developed countries such as Holland, UK, Japan, and America. The main reasons for this development was:

- The increasing joint venture experience in other industries in China. Thanks to the series policies on attracting foreign investment and cooperation, thousands of joint ventures were established in other industries such as electricity and manufacturing, from which COSCO has learned useful experience.
- The changing shipping environment. As the Chinese shipping market gradually opened since 1979, COSCO's market share hovered around 20% for trade to and from China by mid 1980s. Expanding new markets were established as its main development strategy. In 1980s COSCO established 20 joint ventures, which formed the basis of its overseas shipping service network.
- The improvement of diplomatic relationships between China and other countries. COSCO established CO-Heung Shipping Company with Heung-A Shipping Co. of Korea in Seoul in March 1991, two years after the normalization of diplomatic relations between China and South Korea. COSCO is the second Chinese shipping company entered the Korean market. The development of the diplomatic relationship between the two countries provided a good chance for COSCO to explore Korean shipping market.
- To introduce advanced management technology. Through the operation of the joint ventures, the concepts such as market and profit and the free competition principle were introduced to COSCO's joint ventures in early 1980s, while their parent company was still operating under the planned system.

3.2 Benefits of Joint Ventures

Though there were many problems in managing the joint ventures (such as misunderstanding customs and differences in management style)[6] the main benefits are that firstly, COSCO was able to become familiar with the foreign environment and management style quickly. Secondly, COSCO was able to share the risk with its foreign partner. Thirdly, it was able to expend its business into tourism, trade, freight forwarding, *etc.* into foreign countries. Since 1994 it has begun to fine-tune its joint ventures abroad and change some of them into wholly owned companies. The years of partaking in joint ventures has provided good experiences for COSCO to handle business with foreign partners and expand its overseas market.

4. Developing container lines

As the seventh biggest container line in the world in terms of slots deployed, COSCO has grown rapidly since launching its first service between Australia and China in 1978. In 1997, COSCO carried in excess of three million TEU. It currently owns 118 container vessels totaling about

6) Lee, T. W., Shen, M. and Moon, S. H., Current Problems in Sino-Korean Shipping Joint Ventures from the Chinese Partners Viewpoint, *The Journal of Humanities & Social Sciences Study*, pp. 154-5, 1996.

210 thousand TEU.

4.1 Development of COSCO's Container Fleet

China started containerised transport in 1973, operated by COSCO, SINOTRANS and their Japanese partners. However, the Chinese fleet possessed only 12 of 200 TEU container ships, and only 200 full containers were manufactured in China by 1977. As a result, high value containerised general cargoes were mostly carried by Japanese carriers. In 1977, it was estimated that less than 5% of containers were carried by the Chinese fleet.

In 1978, the containers shipped out of Shanghai increased to more that 700 TEU a month. In order to meet the explosive growth in the containerisation of Chinese trade COSCO's fleet development strategy emphasised the necessity for container lines development. In 1980 8 Ro/Ros were built in Japan, their total capacity amounting to about 4600 TEU. From 1982 to 1985 16 full container ships amounting over 22,000 TEU were built, and by the end of 1985 COSCO's full container fleet had reached 37, amounting over 30,000 TEU. This had increased to about 85,000 TEU by the end of 1990 and in 1992 COSCO Shanghai took delivery of 3 2,761 TEU full container ships with its container fleet by 1992 amounting over 92,000 TEU.

Today, modernising its containership fleet continues to be a fundamental element of COSCO's liner strategy. However, during the 1980s and early 1990s tonnage for COSCO's services was acquired principally on the second-hand market. In 1993 the MOC tightened regulations on old ships, and encouraged investment in newer tonnage.[7] COSCO was confronted with a task of renewing and restructuring its fleet. Since COSCO Container Lines establishment in 1993, by 1997 it has taken delivery of 8 3,800TEU ships and 5 5,250 TEU post-Panamax units for its Europe/Asia and Asia/USWC services respectively. Six 5,250 TEU ships were deployed in 1999.

Moreover, it has upgraded several of its coastal services over this period, with new ships of between 300 TEU and 1,000 TEU capacity. The development of COSCO's container fleet is shown as Table.1.

4.2 Operation alliance with Container Lines

In order to improve customer service, information technology and cost management, COSCO Container Lines merged with Shanghai Ocean

Table.1 The development of COSCO Container Fleet (1978-1997)

Year	Number of ships	10,000 dwt	% Annual change of dwt	Capacity (TEU)	% Annual change of Capacity
1978	2	1.64			
1979	2	1.64			
1980	1	0.71	-56.71		
1981	2	1.64	130.99		
1982	7	7.89	381.10		
1983	13	24.44	209.76		
1984	22	36.41	48.98		
1985	36	62.30	71.11		
1986	42	70.71	13.50	35,387	
1987	47	78.80	11.44	39,825	12.54
1988	61	101.34	28.60	51,065	28.22
1989	71	127.35	25.67	67,765	32.70
1990	85	159.31	25.10	84,994	25.42
1991	86	162.35	1.91	85,058	0.08
1992	92	173.86	7.09	92,556	8.82
1993	101	200.10	15.09	109,708	18.53
1994	121	267.17	33.52	158,635	44.60
1995	117	259.04	-3.04	154,048	-2.89
1996	116	263.69	1.80	157,242	2.07
1997	116	320.10	21.39	203,197	29.23

Source: China Transportation Statistics Yearbook

7) Zhang, J., Chinese Shipping Moves into Transition, *Lloyd's Shipping Economist*, August, pp. 20-1, 1997.

Shipping Company in December 1997. All functions, including sales/marketing, fleet management, land-side support services, have been concentrated in one company for the first time. The objectives of management were focused on cutting costs, enhancing service quality, and responding more effectively to customers demands. In order to realise these objectives this new COSCO Container Liners (COSCON) considered that cooperation with the top container lines in the world would be very important.

As the development of globalisation and M&A developed in other top container lines in the world COSCON started its operation alliances in 1996 to further optimise the structure of its fleet and service route. In August 1996 it signed cooperation deals with K-Line and Yangming on the Europ/Asia, Transpacific and Europe/USE trades. The cooperative arrangement has enabled the company to improve its sailing frequency in the core East/West trade; now offering three sailings a week between Europe/Asia as compared to one previously and it now provides access to six separate fixed-day weekly loops on the Asia/USWC route. Prior to the Transpacific tie up COSCO offered its customers just two sailings a week off the West Coast.

With increasing competition on the home front COSCON viewed the cross trades sector as becoming very important to its future. In 1998 it entered into a slot purchase arrangement with Compania Sud Americanan de Vapores and commenced operations between northern Europe/Iberia and East Coast South.[8)]

In May 1999, COSCON cooperated with Evergreen Marine Corporation Co. (Evergreen) on Asia/South Africa and South American trade. This cooperation enabled COSCO to withdraw at least 8 of its 2,000 container ships from Asia/South Africa and South America line in 1999 and redeploy them to a new transpacific route predominantly serving northern China, including the ports of Dalian and Xingang.

More recently, COSCON, Evergreen Marine Corp. Ltd., K-Line, and Malaysia International Shipping Corporation announced a new joint container service between Southwestern Asia (Sri Lanka and India) and Europe with effect from March 2001. The service offers weekly fixed-day service operated by 6 vessels ranging from 2,300 TEU to 2,700 TEU.

COSCO is not a party to any conference agreement. It is, however, a member of several other agreements. Following COSCO's signing up for the Intra-Asia Discussion Agreement in spring 1996, it joined the Westbound Transpacific Stabilisation Agreement in September 1997. Management now openly calls for more dialogue between conference and non-conference carriers. COSCO is also a member of The International Council of Containership Operators, The Israel Discussion Agreement, and the Transatlantic Bridge Agreement, which bridges FMC Agreements.

A more responsible attitude to pricing has been supported by a greater range of service offerings. COSCON is determined to move towards the standards set by carriers such as APL, Maersk, and the Japanese operators, and has over the past few years significantly expanded its value-added intermodal and reefer options. The new 5,250 TEU ships that it has phased into service since 1997, for instance, have 1,000 TEU of reefer space.[9)]

8) Fossey, J., Red Alert, *Containerisation International*, July, p. 69, 1998.
9) *Ibid.*

5. Developing multimodal transportation

Since the concept of logistics was introduced to China in early 1980's, quite a number of Chinese enterprises (some enterprises even use the word logistics in their names) have expended their business into logistic service. However, most of them only provide such conventional services as freight forwarding, warehousing and cargo transportation agency. None of them are able to provide a total transportation service package and, therefore, could not be considered as truly modern logistics enterprises. In order to promote the modernization of China's transport industry, the Chinese government has actively introduced the experiences in logistics development from developed countries and boosted the growth of China's logistics industry. In 1997 and 1998, four foreign shipping companies were allowed to set up wholly owned logistics companies as an experimental measure. This is a tentative step towards the development of China's international logistics industry.[10]

In order to extend its business into logistic service COSCO has been continuously developing multimodal transportation since the early 1990s. When the group was established in 1993, it formulated its overall strategy as *down to the sea, on to the land and up to the sky*.[11] Based on this strategy, COSCO's multimodal transportation service has taken shape, with its container lines as its core, regional subsidiaries at home and abroad as its main bulk, and widespread on-site management, agency, and outlet services as its pillar.

COSCO has developed a portfolio of multimodal transportation services offered to customers in China, aimed at satisfying their various transportation needs. The services range from base level services to value-added services. Base level service means the basic services that a customer normally expects from a carrier, including trunk services and feeder services. Value added services are those additional services that a customer does need but does not expect the carriers to offer without a special arrangement and additional cost.[12]

5.1 Base level services

The backbone of COSCO's base level services is its global network of trunk line services. Now its trunk routes cover the major container trades between Asia and the Americas, and Asia and Europe, as well as the intra-Asia and Australia trades connecting main Chinese ports from north to south such as Dalian, Xingang, Qingdao, Shanghai, Xiamen, and Hong Kong. Apart from direct calls at Chinese ports, COSCO is practically connected with every market on the globe. Above liner services are all well linked by a comprehensive global liner network, which expands COSCO's reach to more than 100 other ports all over the world.

For other coastal ports and ports on the major inland waterways, COSCO also operates feeder routes making timely connections with its trunk line vessels at the port of relay. The feeder routes include Dalian to Pusan, Yangtze River ports to Shanghai, Pearl River Delta ports to Shekou or

10) Hu, H., Foreign Trade Transportation & Logistics Administration, Proceedings of 1999 China Shipping Seminar, 28 January, Beijing, China, 1999.

11) While maintaining shipping as the core of the business, COSCO would extended its business activities into land based businesses and air transport, including the ancillary activities of the core business such as road haulage, seaports, warehouse, railway transport, information network and so on.

12) As customer expectation changes, the designation of each logistics services changes also. A value-added service of today may become a base level product if most carriers offer it without charging additional cost.

Hong Kong feeder services, etc.

Apart from the coastal and river ports, COSCO makes connections with inland cities via the railway and road. Since it signed the Sea-rail Transportation Agreement with the Ministry of Railway in 1988, it has begun to extend its business to rail container transportation. The sea-rail lines have increased from 8 lines in 1996, to 32 in 2000, linking up major ports and cities such as Dalian-Harbin, Xingan-Xian, Shanghai-chengdu, etc. In March 2001, COSCO launched Dalian-Changchun container train line, which was the first international container train line in the Northeast of China cooperated by the railway department, the Port Authority of Dalian and the COSCO Freight of Dalian.

Since the mid 80s, COSCO has expanded its sea-road transportation. Its fleet of container tractors had increased to 1,290, with total slots of 2,346 TEU by 1997; about 5 times its 1985 level in terms of capacity, spreading not only in the main ports such as Guangzhou, Shanghai, Xiamen, Qingdao, but also in the inland cities such as Kunming, Wuhan and Chengdo. In 1997, COSCO's road container transportation volume reached over 0.44 million TEU.

5.2 Value-added Services

In January 1998, COSCO Freight International Co. and its branches initiated the One Stop Service[13] for customers, offering a range of value-added services. Having now developed considerable logistics capabilities they can design packages to suit the special needs of their customers. The value-added services include CFS stuffing, storage, customs clearance, order tracking, and supply chain management, *etc.*

After years of developing its multimodal transportation, COSCO now is working on a number of projects to extend its business into logistics in China in order to meet the increasing demand of customers. It will be forming a logistics company after organizational restructuring. Its target customer groups will be the trans-national companies with global supply chains. It will offer total package logistics service to them, supported by advanced information technology and its global logistics internet platform.

6. Building up the information network

6.1 Objectives of development E-commerce

In the shipping industry the incorporation of the internet into business plans has become the key goal for businesses ranging from container lines to freight forwarders as the transportation industry converges toward the goal of logistics provision. Clients who want to deal with one company that can handle as much of the transportation chain as possible are driving rapid innovation.[14] Developing more dialogue with customers became a key part of Maersk's overall strategy and GAMP has been implemented, giving Maersks sales representatives an enormous competitive advantage.[15]

In China, COSCO was the first shipping company whose data flow passed EDI standard as early as 1990. It has realized a base platform for its E-commerce development. Since 1997 COSCO has

13) The freight forwarding companies of COSCO will be responsible for all the services their customers entitled to receive from the first step of space booking, arrangement of empty container pickup to customs declaration, quarantine and commodity inspections, amendments of documents, until final steps of issuing B/L and invoices, collection of check list and drawbacks, etc.

14) McElroy, D., Internet Key to China Growth, *Lloyd's List Maritime Asia*, June, pp. 15-6, 2000.

15) http://www.broden.com/maersk-sealand.html

begun to push the development of E-commerce as part of its logistics development strategy.

The objectives of developing of E-commerce in COSCO are, firstly, to increase the companys efficiency and enhance its competitive power and, secondly, to solve a series of practical problems such as blocked sales of products, ineffective information, hard capital turnover, commercial credit crisis and chain debt, *etc.* that industrial and commercial enterprises countered in market and circulation. The strategy of developing COSCO's E-commerce is aimed at customers changing demands. Taking a global promotion system as its business platform, realignment of logistics, information flow and business process as its management platform and customers satisfaction as its cultural and idea platform, COSCO is targeted to build E-transport and E-logistics systems based on the intellectual ability of Internet, soft way of service, diversified forms of transport, and coordinate with the environment development.

6.2 Situation of E-commerce Development

COSCO finished the construction of its EDI centre and network between 1996 and 1997. The network has basically covered more than 50 large and medium sized domestic COSCO Freight and PENAVICO offices. It has realized its interconnection with GEIS EDI Centre through the EDI Centre in Beijing and connected COSCO companies overseas. At present, COSCO has realized the EDI transfer of data of transportation manifest, cargo plan and container management, entering the forefront of domestic transport industry in the field of E-commerce.

In 1997, COSCO invested considerable funds and manpower building a COSCO Net for global communications. By October 1999, COSCO had formed an E-mail network covering China, Singapore, Japan, America, Europe and Australia, with Beijing as its centre, enabling COSCO's staff to conduct their daily business through E-mail.

In January 1997, COSCO formally opened its website addressed, www.cosco.com.cn. Its subsidiaries such as COSCON, COSBULK, COSCO Guangzhou were built up consecutively. In September 1998 COSCON was the first corporation in China to provide sailing schedule bulletins and booking service online. The introduction of online service system overcame the problems of low speed and efficiency, big working load and the high rate of errors that appeared in the traditional service. It has brought freight forwarding directly to the customers desk so that with their PCs they are in control of all the business formalities of consignment booking, document production and information inquiry that are needed in cargo exporting.

The establishment of COSCO's websites has greatly accelerated information circulation between it and its customers. It has improved efficiency. In March 2000 the COSCO Network was established in the Cayman Island to strengthen its ability to harness the latest technology and to create a business to business network that would manage the entire logistic chain. Right after the acquisition of this Network by COSCO International in September 2000, it has continuously input other logistics-related capital into COSCO International as an initiative designed to transfer the company into an online logistics network service and internet telecommunication service provider. An objective of COSCO is to get into the Blue Index and to be a major online logistics company. COSCO International is currently discussing with some domestic and overseas network companies for the planed acquisition of other e-commerce platform companies.

7. Conclusion

COSCO's development strategy was made

possible by the Chinese governments economic reform and its open door policy. The ECRS was then implemented on COSCO's ships after its successful application in Chinese agricultural reform and these contractual targets provided greater efficiency as job satisfaction, discipline and cooperative responsibility improved with motivated management. ECRS was then applied to COSCO's on shore management at the time was being introduced to SOEs throughout China. The freedom and motivation given to former SOEs since the Chinese governments adoption of the open door policy in late 1970s has permitted and driven COSCO to establish numerous joint ventures with overseas shipping firms. A result of these unions is that much has been learned and technology and strategy have been acquired as well as an overall understanding of global markets seen from a new perspective. Having separated from the MOC and emerging into a strong, independent shipping company, COSCO continuously adjusts its development strategy, focusing on the developing container lines, extending into the logistic business and building up an information network enabling it to metamorphose into a global carrier.

Having identified the shortcomings of short term contracts this century will see a ten-year development plan detailing broad aims including the need to embrace greater market orientation, the strengthening of shipping operations, the development of a comprehensive logistics programme and optimised land activities in order to achieve sustainable group development.[16] The main challenges facing COSCO in the future are how to convert itself from a global carrier to a global logistics operator and how moving on from a multinational operation to a multinational company will be achieved. Needless to say, how to strengthen its market competitiveness will continue to be a driving force that COSCO has become known for.

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