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A Study Of China's Maritime Shipping Policy

BY LI LIANJUN

THE PEOPLE'S REPUBLIC OF CHINA

A PAPER SUBMITTED TO THE FACULTY OF THE WORLD MARITIME UNIVERSITY IN PARTIAL
SATISFACTION OF THE REQUIREMENTS OF THE AWARD OF A

MASTER OF SCIENCE DEGREE

IN

GENERAL MARITIME ADMINISTRATION

THE CONTENTS OF THIS PAPER REFLECT MY PERSONAL VIEWS AND ARE NOT NECESSARILY ENDORSED
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To Guan Jing And Li Yimeng

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List Of Abbreviations

CCP	Chinese Communist Party
C&F	Cost And Freight
CHIPOLBROK	The Chinese-Polish Joint Stock Shipping Co.
CIF	Cost, Insurance And Freight
COSCO	China Ocean Shipping Company
CSSC	China State Shipbuilding Corporation
CV	Cargo Volume
CT	Cargo turnover. ton miles
DMU	Dalian Maritime University. China
DWT	Deadweight Tonnage
EEC	European Economic Community
FOB	Free On Board
GRT	Gross Registered Tonnage
ILO	International Labour Organization
IMO	International Maritime Organization
Km	Kilometer
MARD	Maritime Administration
MOC	Ministry Of Communications. China
Mn	Million
MTSL 1983	Maritime Safety Traffic Law Of The People's Republic Of China
OECD	Organization For Economy And Development
PENAVICO	The China Ocean Shipping Agency
PRC	People's Republic Of China
RSCFS 1979	Regulations Governing Supervision And Control Of Foreign Vessels By People's Republic Of China
CSTC	China Shipbuilding Trading Company
SEZ	Special Economic Zone. China
UNCLOS	United Nations Conference On The Law Of The Sea
UNCTAD	United Nations Conference On Trade And Development
USD	US Dollars
WMU	World Maritime University. Malmoe. Sweden

Preface

China has a long maritime history. China's inventions made her ships superior to those of other maritime nations centuries before they found their way to the shipbuilders in Europe¹. In the Ming Dynasty (1368-1544), China's ocean fleet had arrived in the Persian Gulf, the Red Sea and East African Coast. But from the late Ming Dynasty through the Qing Dynasty to the first Chinese Republic, ended when the People's Republic of China was established in October 1949, China's shipping industries were far behind world shipping that time.

New China had very few merchant marine and shipping facilities because most of the shipping facilities were destroyed during the war or were shifted to Taiwan. The new government had taken a series of measures to recover water transport after the foundation of new China. Integrated maritime shipping has been established over forty years. Up to 1989, China's merchant marine tonnage had amounted to 12.7 million GRT and was ranked eighth in the world total tonnage, and the tonnage of new building of ships in Chinese shipyards was ranked fifth among the world shipbuilding nations.

Why has China risen to a merchant marine power? What is behind the development of China's shipping? I think the nation's maritime shipping policy plays a very important role in her shipping development. This study

¹ . Irwin Millard Heine. China's Rise To Commercial Maritime Power. Greenwood Press, New York, 1989.

tries to reveal the nation's maritime shipping policy at different stages and makes the analysis to the policies in different periods of time.

To achieve the goals of this research, this paper consists of three parts. Part one is to find out the major factors influencing China's maritime shipping policy because after we have known these we may understand the nation's policy; Part two is to analyze and evaluate the policy at different period of time which is the key part of this paper; Part three is discuss the impact of the new political and economic situations of the world on China's shipping and the strategy of China' shipping for future development.

I am very grateful to the World Maritime University. all the professors. lecturers and stuff members. Especially. I wish to give my deep and most sincere thanks to Professor J. Mlynarczyk for his valuable guidance and advice through out this work. I am grateful to Visiting Professor. Shen Gaoqi, for his kind information and advices.

I wish to, thank all the organizations. enterprises and individuals who have generously provided me with useful information and materials during my On The Job training and field trips. In particular, I wish to give my gratitude to Mr. John Pisani and Mr. Carl J. Soberemisana, MARAD US Department of Transport, for their kind arrangement for my On The Job training in USA.

I am very grateful to my country which gave me the oportunity to come to WMU to study, especially to the Department of International Affairs of The Ministry of Communications and Dalian Maritime University where I worked before coming to WMU.

My wife, Guan Jing, always supports me work through this paper. I am grateful to her for her assistance and understanding. When I am finishing this work, I think too much my daughter, Li Yimeng, whom I haven't seen for about two years since I left China. I wish to dedicate this work to my wife and my daughter.

Part one

**Majore Factors Influencing
China's Maritime Shipping
Policy**

PART ONE

MAJOR FACTORS INFLUENCING CHINA'S MARITIME SHIPPING POLICY

There are many factors influencing a nation's maritime policy, such as a nation's development policy for industries, geographic situation, political and economic systems and so on. When we study China's maritime shipping policy, we should not ignore China's particular political and economic situations in the past and at the present, and other main elements. In this part, I would like to focus on the main factors influencing China's maritime shipping policy including China's main characteristics, China's foreign trade and China's infrastructure of maritime shipping industries.

Chapter I China's Main Characteristics

1.1. Geographic Features and Population:

**Large Land Area, Long Coastal
Line and Big Population**

The People's Republic of China covers an area of 9.6 million square kilometers (about 3.7 million square miles) and extends about 5,500 kilometers from north to south and 5,000 kilometers from east to west, making it the third largest country in the world (after the USSR and Canada). The 12 countries sharing with frontiers with China are: the Democratic Republic of Korea, the

USSR, Mongolia, Afghanistan, Pakistan, India, Nepal, Sikkim, Bhutan, Burma, Laos and Vietnam. There are 1,500 rivers whose catchment areas are over 1,000 square kilometers. Among the rivers, Changjiang (the Yangtze River) in the central China and Huanghe (the Yellow River) are the longest ones. Changjiang is 5,800 meters in length and with a massive drainage basin of 1.8 million square kilometers, covering one-fifth of the country. Huanghe is 4,845 meters in length with a drainage basin of 745,000 square kilometers. The main land coastal line is 1,800 kilometers. The territorial waters are dotted with about 6,500 islands, ranging from the South China Sea to the Yellow Sea. The sea area is 3.38 million square kilometers.

China's census of 1 July 1982 revealed that the population had amounted to 1,008,175,288, which represents more than one-fifth of the world's population. The average population density is 107 people per square kilometers. In the eastern seaboard, the density is big, with over 400 people per square kilometer.

Notes on Population and Natural Resources in China

Population at the end of 1984	1,034.75 million
Numbers of labours at the end of 1984	475.97 million
Land area (square kilometers)	9.60 million
Average annual rainfall	630 mm
Forested area (hectares)	115,24 million
Fresh water surface (hectares)	16.64 million
Marine fishing grounds (sq. nautical miles)	818,000
Sea surface suitable for breeding fish(hectares)	492,000
Length of coastal line (kilometers)	1,800
Iron ore reserve (metric tons)	47.20 billion
Coal reserves (metric tons)	737.11 billion
Tiaber reserve (cubic meters)	10.26 billion

1.2. Governmental System

Highly Centralized Government System
Under Leadership Of The Chinese
Communist Party (CCP)

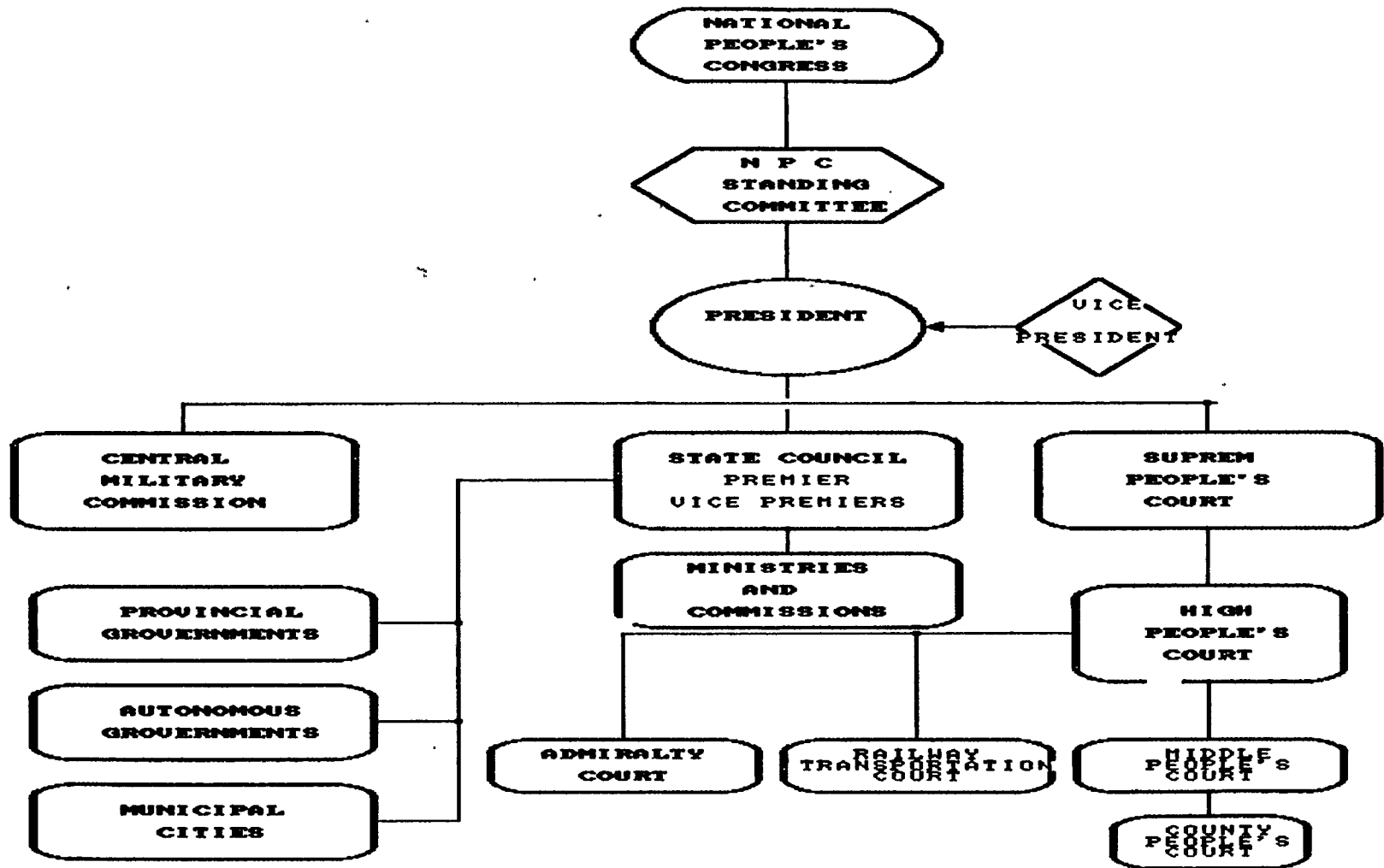
1.2.1. The Structure Of The State (see Chart 1. Organization Chart of China's Government)

According to China's Constitution, the state-level legislative bodies are the National People's Congress (NPC) and its Standing Committee. The local people's congresses and their standing committees are local legislative bodies. The State Council, so called the Central People's Government, is the executive body of the highest organ of state power and the highest organ of state administration. The President of PRC represents the state and exercises the powers in pursuance of the decisions of the NPC and its Standing Committee. The administration divisions in China are divided as follows:

- (1). The country in China is divided into provinces, autonomous regions and municipalities directly under the Central Government;
- (2). Provinces and autonomous regions are divided into autonomous prefectures, counties, cities, and autonomous counties;
- (3). Counties and autonomous regions are divided into township, nationality township, and towns;
- (4). Large and middle size cities are divided into districts and counties.

There are 31 provinces, municipalities and autonomous regions including 23 provinces, 3 municipalities and 5 autonomous regions.

CHART 1 ORGANIZATION CHART OF CHINA'S GOVERNMENT



1.2.2. CCP Central Committee and Central Government

1.2.2.1. Introduction

The Centralized governmental system which corresponds to China's central planning economy has been established since 1949 when the P.R.China was founded. Political power is shared between the Central Government headed by the State Council and CCP Central led by the Politburo. When there are some important events, the decisions, which may influence the whole nation, are always made by both. Nevertheless, it should be noted that a series of reforms in economy and politics have been introduced into China since 1978 when the third plenary session of the CCP Central Committee was held in December 1978. The main goals of the reforms included "Separating the Government from the Party" and "Separating the enterprises from the Government". The role of the legislative bodies, i.e. NPC and its Standing Committee, have been emphasized.

1.2.2.2. The Central committee of CCP

In 1921 Chinese Communist Party (CCP) was formally founded at a meeting attended by 11 members in Shanghai. CCP has been playing very important role in China since its foundation. Having struggled for 28 years, a new China was set up by the CCP when the CCP Chairman Mao Zedong announced that "the Chinese people have stood up and the People's Republic of China has been established" at Tianmen Square in Beijing. Nowadays CCP members have amounted to more than 40 million. According to the CCP Constitution, CCP National Congress is held ever five years when the members of CCP Central Committee are elected. The CCP Central Committee then determines the important polices, the members of the Political Bureau and its standing members, and The General Secretary. The General Secretary is the key person in the Party. The

daily work of the CCP Central Committee is done by the Secretariat headed by the General Secretary.

1.2.2.3. The State Council

The State Council, called the Central People's Government, is the executive body of the highest organ of state power and administration according to the Constitution of the P.R.C.. The State Council is composed of the premier, the vice premiers, the state councilors, the ministers in charge of ministries and commissions, the auditor-general, and the secretary - general.

The State Council exercises the following functions and powers, inter alia,:

- (1). to adopt administrative measures, enact administration rules and regulations, and issue decisions and orders in accordance with the Constitution of the P.R.C. and the Statues;
- (2). to draw up and implement the plans for the national economic and social development and the state budget;
- (3). to direct and administer economic affairs of urban and rural development;
- (4). to conduct foreign affairs and conclude treaties and agreement with foreign states.

Because China's economic system belongs to a central planning economic system, the role of the State Council is much more important in China's economy. The large state owned enterprises are directly or indirectly controlled by the State Council or its ministries or local governments. The national economic policies are more or less easily exercised in China due to the very tightly planned economic system.

Due to the political and economic reforms in China in 1980s, the organization of the State Council has been

changed to some extent. Many governmental agencies which directly dealt with commercial business before were changed to the independent economic bodies. The numbers of the ministries have also been reduced. Nevertheless, the ministries are also involved in daily business control with the state owned companies in addition to the administrative work in respect of the development plan, personnel, and finance.

1.3. Economy

Socialist Public Ownership As The Dominant Factor - Socialist Planned Economy;

Other Ownership As The Replenishment - Socialist Planned Commodity Economy.

1.3.1. The Economic System

An integrated central planning economic system has been established over more than forty years since 1949. The dominant economy is so called socialist public ownership system. Before economic and political reforms happened in China in the 1980s, most of the economic bodies belonged to different levels of government. The big state owned companies were directly the subsidiaries of the Central Government. During the reform, the economic system has changed. The main changes are following:

1). The ministries have gradually withdrawn from direct control to the state owned companies. The ministries exercise their administrative functions through enacting the administrative regulations and rules instead of managerial functions;

2). The state owned companies, in particular the middle and small companies, have increased the vigor of the involvement in the market;

3). The market economy has developed to some

extent because it's allowed to set up private enterprises, individual firms and economic bodies across administrative divisions and different industries;

4). Foreign enterprises, or other foreign economic organizations and individual foreigners are allowed to invest in China and enter into various forms of economic co-operation with Chinese enterprises and other economic organizations;

5). Special economic zones have been established in order to attract foreign investment, where the foreign investors are entitled to benefit from preferential treatment in aspects of taxation and use of land;

6). Some enterprises directed by the Central Government have been decentralized to local governments.

1.3.2. Economic Development

China's economy has experienced different developing stages which correspond to the political situations. Although there were many political struggles during forty years or so, an integrated economic system has been set up. China has solved the basic problems of people's shelter and food in such a big country which the Chinese leaders are proud of. Many fields in science and technology has caught or overtaken world level.

The first eight years from the foundation of the P.R.China was the good period of time for economic development. The new government rapidly resolved the problems of unemployment, high inflation and starvation. In 1953 China launched the first five-year plan, and the economy had considerable growth. After that the so called Great Leap forward economic policy was implemented

in 1958 in order to accelerate the development of the economy. On the contrary, China did not benefit from the policy but in the early 1960s China was plunged into a depression due to the wrong policy. The ten years' "Great Cultural Revolution" disrupted the development of the economy. Education and foreign trade were seriously damaged.

In 1975, Premier Zhou Enlai outlined a new set of goals designed to elevate China to the status of a 'front rank' economic power by the year 2000. This programme which is called 'the Realization of the Four Modernization' aimed at achieving ambitious levels of production in Chinese agriculture, industry, national defense, and science and technology. This policy was reaffirmed in 1978 at the Fifth National People's Congress and the Third plenary session of the CCP Central Committee. Since then China has moved to the period of continuous economic development (see Figure 1. Major Targets of China's National Economy).

Figure 1. Major Targets Of China's National Economy

Item	Unit	1949	1952	1965	1978	1983	1984
Nation's population	10,000 people	54.167	57.482	72.538	96.259	102.495	103.475
Number of workers & staffers	10,000 people		1.603	4.965	9.499	11.515	11.890
Total industrial & agricultural output value	100 million yuan	466	827	1,984	5,690	9,048	10,407
Total agricultural output value	100 million yuan	326	484	590	1,459	2,884	3,377
Total industrial output value	100 million yuan	140	343	1,394	4,231	6,164	7,030
Output value of light industry	100 million yuan	103	221	705	1,806	3,060	3,484
Output value of heavy industry	100 million yuan	37	122	691	2,425	3,104	3,546
National income	100 million yuan	358	589	1,387	3,010	4,730	5,645
Revenue	100 million yuan	65.2*	183.7	473.3	1,121.1	1,249	1,465
Expenditure	100 million yuan	68.1*	176.0	466.3	1,111.0	1,292.5	1,515
Total investment of fixed assets	100 million yuan	11.3*	45.6	216.9	668.7	952.0	1,185.2
Turnover amount of freight	100 million ton/kilometre	255	762	5,463	9,829	14,044	15,694
Total vol. of retail sales	100 million yuan	140.5	276.8	670.3	1,559	2,849	3,376
Total vol. of imports & exports	100 million yuan	41.6	64.6	118.4	355.1	860	1,201
Total index of retail price	%		100	120.4	121.6	139.3	145.2

Note 1. In this table, total industrial and agricultural output value in 1949 and 1952 is calculated

of 1957, that of 1978 is calculated according to the fixed prices of 1970, and that of 1983 and 1984 is calculated according to the fixed prices of 1980, and all other figures for the

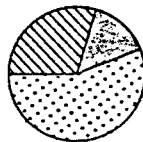
according to the fixed prices of 1952, that of 1965 is calculated according to the fixed prices

of 1957, that of 1978 is calculated according to the fixed prices of 1970, and that of 1983 and 1984 is calculated according to the fixed prices of 1980, and all other figures for the

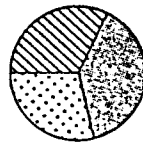
Note 2. Those with the mark "*" are statistics of 1950.

■ PROPORTION BETWEEN INDUSTRIAL AND AGRICULTURAL OUTPUT VALUE (%)

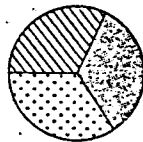
Composition (%)



1972



1978

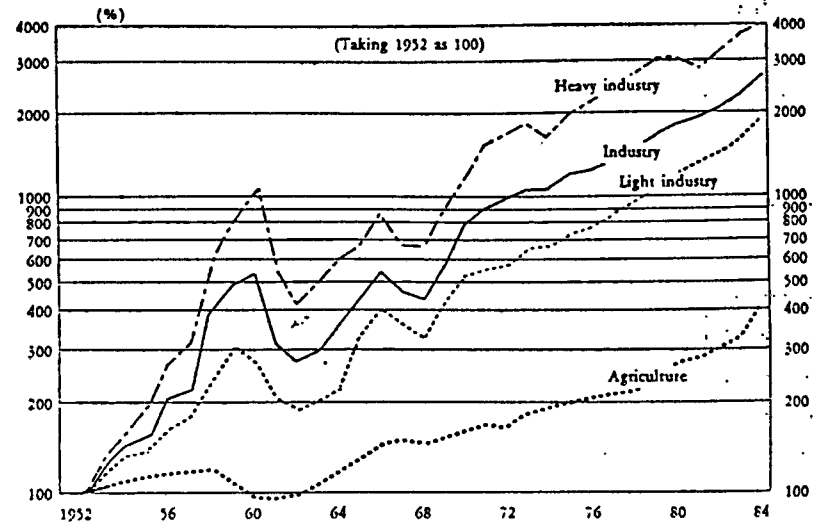


1984

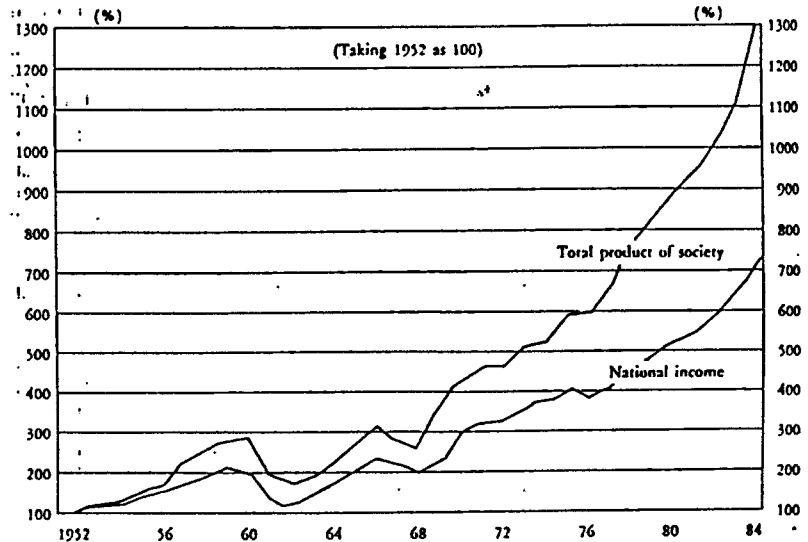
□ Agriculture

▨ Light industry

▤ Heavy industry



■ INCREASE OF TOTAL PRODUCT OF SOCIETY AND NATIONAL INCOME



Chapter II China's Foreign Trade

2.1. Development of Foreign Trade

China trades with more than 170 countries and regions. In 1988, the total amount of imports and exports first exceeded US Dollars 10 billion. In 1989, the total amount was US Dollars 11.16 billion. China's foreign trade has three features since the so called Open Door Policy was adopted in 1979, i.e.,

(1). A new open economic structure has been established which is that five special economic zones are the frontiers, 14 coastal cities are the main organs, and 11 coastal provinces are the props;

(2). A new prospect of using foreign funds has been opened up. Up to 1989, foreign projects have amounted 21,000 with amount 1.5 billions US Dollars;

(3). Foreign trade has greatly developed. The total amount of imports and exports was 4 times as much in 1989 as in 1979.

Foreign trade fluctuates to great extent with the national economic policy and foreign relations. In the 1950s the amount of foreign trade with USSR and Eastern European countries accounted for 65 per cent. In the 1970s, China's foreign trade had begun to have great growth. In the 1980s, foreign trade continued to grow (see Table 1. China's Import and Export Trade).

2.2. Trade By Countries and Areas.

China's main export commodities are agricultural products, crude oil, machinery and light industry products. The main import commodities are grain, machinery, steel and timber. From 1980s the main trade partners with china are Japan, USA and Hongkong (see Table 2. The Top 10 Trading Partners and Table 3.

Trade By Areas and Selected Countries, and Fig 2. Trade By Areas).

Table 1. China's Import and Export Trade
(In 100 Million US Dollars)

Year	Total	Export	Import	Balance
1950	11.3	5.5	5.8	-0.3
1952	19.4	8.2	11.2	-3.0
1957	31.0	16.0	15.1	+0.9
1965	42.5	22.3	20.2	+2.1
1978	206.4	97.5	108.9	-11.4
1981	440.2	220.1	220.1	0
1983	436.2	223.3	213.9	+9.4
1984	535.5	261.4	274.1	-12.7
1985*	698.3	273.4	424.9	-151.5
1986*	742.1	310.6	431.5	-120.9
1987*	829.3	395.4	433.9	-38.5
1988*	1030.1	476.5	553.6	-77.1
1989**	1160.0	-	-	-

Source: Figures before 1984 from The PRC Year-Book 1985;

Figures with '*' from Monthly Bulletin of Statistics United Nations April 1990;

Figures with '**' from People's Daily (overseas edition), July 6, China.

Table 2. China's Top 10 Partners
(Total trade in USD Million)

	1980	1981	1982	1986*
1.	Japan 9,247	Japan' 10,107	Japan 8,583	Japan 13,900
2.	Hongkong 5,649	Hongkong 7,236	Hongkong 7,309	Hongkong 11,500
3.	USA 4,810	USA 5,478	USA 5,187	USA 6,000
4.	W.Germany 1,848	W.Germany 1,685	W.Germany 1,462.7	W.Germany 3,800
5.	Romania 1,160	Australia 978.7	Canada 1,170.5	USSR 2,600
6.	Australia 1,015	Canada 959.6	Australia 1,103	Singapore 1,300
7.	UK 874	Singapore 914.2	Singapore 1,079	UK 1300
8.	Canada 862	Romania 794.2	Romania 755.3	Italy 1,000
9.	France 710	France 717.2	France 714.5	Canada 1,000
10.	Italy 709	Italy 679.3	Italy 582.4	Poland 9,000

Source: Countries Of The World and Their Leaders Year Book 1985;

Figures with '\$' from Almanac of China's Foreign Economic Relations & Trade.

Table 3. Trade By Areas and Selected Countries (Million USD)

Countries Or Areas	Import Or Export	1976	1978	1980	1982	1984	1985
Total	Import	5202	10915	19505	18920	25953	42534
	Export	6045	9745	18139	21865	24824	27329
ESCAP Regions	Import	2487	4606	8456	7870	13473	23758
	Export	3597	5393	11315	12350	14828	17088
Developing	Import	336	786	2067	2925	4377	7295
	Export	2235	3556	7029	7276	9411	10769
Asia	Import	329	786	2067	2897	4359	7277
	Export	2226	3556	7029	7276	9411	10769
Oceania	Import	7	-	-	28	18	18
	Export	9	-	-	12	13	13
ESCAP Developed	Import	2151	3820	6389	4945	9096	10463
	Export	1362	1837	4286	5062	5404	6306
Australia	Import	291	715	1063	914	697	1124
	Export	100	118	224	224	218	183
Japan	Import	1833	3105	5169	3902	8057	15178
	Export	1248	1719	4032	4806	5155	6091
Newzealand	Import	27	-	157	129	142	167
	Export	14	-	224	224	218	183
Other Asia	Import	102	90	186	112	231	203
	Export	361	199	417	2530	2372	1808
Other Oceania	Import	-	-	-	-	5	6
	Export	-	-	-	1	1	2
North America	Import	384	1606	5045	5925	5105	6551
	Export	307	433	1301	2145	2700	2729
South America	Import	108	244	450	485	817	1730
	Export	17	17	308	439	414	458
Western Europe	Import	1644	2422	3508	2663	4090	7414
	Export	1046	1403	2772	2419	2474	2649
EEC	Import	1452	1970	2744	2081	3103	5589
	Export	867	1173	2315	2101	2156	2218
USSR & E. Euro	Export	318	1060	1468	1152	1614	2487
	Import	230	1185	1283	799	1263	2036
USSR	Import	-	207	264	243	670	1017
	Export	-	230	228	143	585	1037

Source: 1985 Statistical Year Book For Asia And The Pacific, UN Publication

2.3. Trade Organization

Foreign trade in China is done by different levels companies or enterprises subject to approval by the Ministry of Foreign Economic Relations and Trade and other administration. Among others, the top ten import and export corporations in China are the China National Chemical Import and Export Corporation, the China National Metals and Mineral I&E Co., the China National Textiles I&E Co., the China National Cereals and Oils I&E Co., the China National Native Produce and Animal BY Products I&E Co., the China Northern Industries Co., the China National Light Industrial Products I&E Co., The China National Arts and Crafts I&E Co., the China Silk Co., and the China National Medicines and Health Protection Products I&E Co..

Before economic reform, a large part of exports and imports was the task of several national enterprises under the control of the central government. In 1980s, the imports and exports were decentralized to some extent at the local level government owned companies.

2.4. Special Economic Zones (S.E.Z.) and 14 Coastal Cities

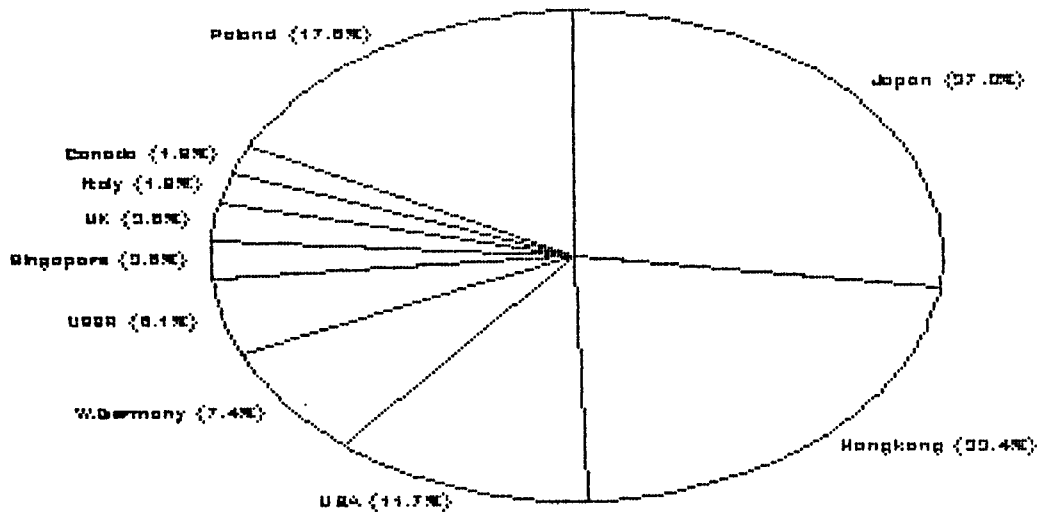
The Chinese government decided in July 1979 to set up four special economic zones in Shenzhen, Zhuhai, Shantou and Shiamen. The four special economic zones in China cover a total area of 526.26 square kilometers. Shenzhen, China's first and largest Special Economic Zone, covers an area of 327.5 square kilometers. In 1988, the Biggest S.E.Z., Hainan Province situated in the south part of China, was set up after approval by the NPC.

The special policies in the S.E.Z. have the following features:

- (1). The SEZs rely mainly on the utilization of foreign funds for their economic development;
- (2). In the SEZs, market regulation is primary under the guidance of the planned economy of the whole country;
- (3). Special preferential terms and facilities are granted to outside investors in taxation, land use charges, and entry and exit control.
- (4). The state gives more decision making powers to the SEZs in their economic activities. Generally speaking, this power is greater than which the provinces enjoy.

In 1984, China again designed 14 coastal cities for opening wider to the outside world. The 14 cities are Dalian, Tianjin, Yengkou, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guanzhou, Zhanjiang and Beihai. This is the second step for China to open to the world after the SEZs were set up.

Figure 2. Trade By Areas 1988
(% among the ten top trade partners)



Chapter III China's Shipping Infrastructure

Integrated maritime industries have been established over forty years since 1949 when the People's Republic of China was founded. China's Maritime Industries include merchant marine, shipbuilding, ports, and maritime service industries which play an important role in China's national economy and foreign trade. Nowadays, China's maritime industries are serving not only the domestic market but also the world market.

3.1. China's Merchant Marine

3.1.1. The Development Of Merchant Marine

When the People's Republic of China was established in 1949, it had very limited merchant marine. Due to US political and economic blocks in the 1950s, it was difficult for China to develop her own fleet. Most seaborne foreign trade was transported by foreign flag cargo vessels. For chartering foreign flag vessels, two agencies, the China National Chartering Corporation, better known as Sinochart, and the China National Foreign Transportation Corporation, better known as Sinotrans, were formed in 1951. In the first years of these two agencies, they operated through Czechoslovakia and Sovfracht.

The new China merchant marine began with the establishment of the Chinese - Polish Joint Stock Shipping Company (CHIPOLBROK) in 1951 after China and Poland concluded a Joint Shipping Agreement to establish such a company on June 15, 1951. In 1950s, there were

many countries which had not diplomatic relations with China so it was not convenient for Chinese vessels to enter the ports of those countries. To overcome these shipping obstacles, the State Council gave the Ministry of Communication (MOC) authority to set up two wholly controlled companies in Hongkong to operate ships under foreign flags in world wide trade. The two companies are Ocean Tramping Company, Ltd formed in 1958 and Yick Fung Shipping enterprises Company, Ltd formed in 1960.

In 1961, a state owned company - China Ocean Shipping Company (COSCO) was established. The company started with 25 ships of 220,000 DWT. In the early 1960s, China began to buy foreign vessels. In the 1960s, China's merchant fleet did not develop too fast. Until 1970, China had only 248 vessels with 868,000 DWT. China's merchant fleet could only carry around 18 percent of its foreign trade cargo. In the 1970s, China's merchant marine had notable growth. The merchant marine fleet in the late 1970s was three times as much in the 1960s (see Figure 3. China's Merchant Marine Fleet 1960-1988).

In the 1980s, China's foreign trade had great growth (see Table 1. China's Import and Export Trade). At the same time, the merchant marine had also a significant expansion. Nowadays, China has formed an integrated merchant fleet with various types' of ships (see Figure 4. China's Merchant Fleet By Types). In the 1970s, China had only a few shipping companies such as COSCO, Sinotrans companies and some foreign joint ventures but as the country has opened up to the outside world, maritime enterprises operating foreign transport have increased to more than 120 from the original few in 1979. China merchant marine in 1989 has reached 12.7 million GRT and is ranked eighth in world total tonnage (see Table 4. The Leading Maritime Nations In The World).

Table 4. The Leading Maritime Nations In The World

Rank	Country	Ship Nos	GRT*1000	DWT*1000	NRT*1000	% World
1	Liberia	1399	48062.6	90626.4	33935.5	14.7
2	Panama	3792	44724.0	71741.1	27305.8	11.7
3	Japan	3849	28286.5	43933.3	13977.6	7.1
4	Greece	1458	21309.5	38490.9	14847.9	6.3
5	Cyprus	1283	18637.3	33527.4	12994.8	5.4
6	U.S.A.	800	18180.0	27053.6	11865.5	4.4
7	USSR	2599	18867.0	24971.7	9694.1	4.1
8	PR China	1412	12276.4	18618.7	6959.3	3.0
9	Norway	346	9591.5	17131.4	6573.3	2.8
10	Bahamas	486	9661.7	16305.5	6300.9	2.6

Source: ISL Shipping Statistics, The date was by January 1st, 1989, and ships are 300 GRT and over.

Figure 3. China's Fleet 1960-1988

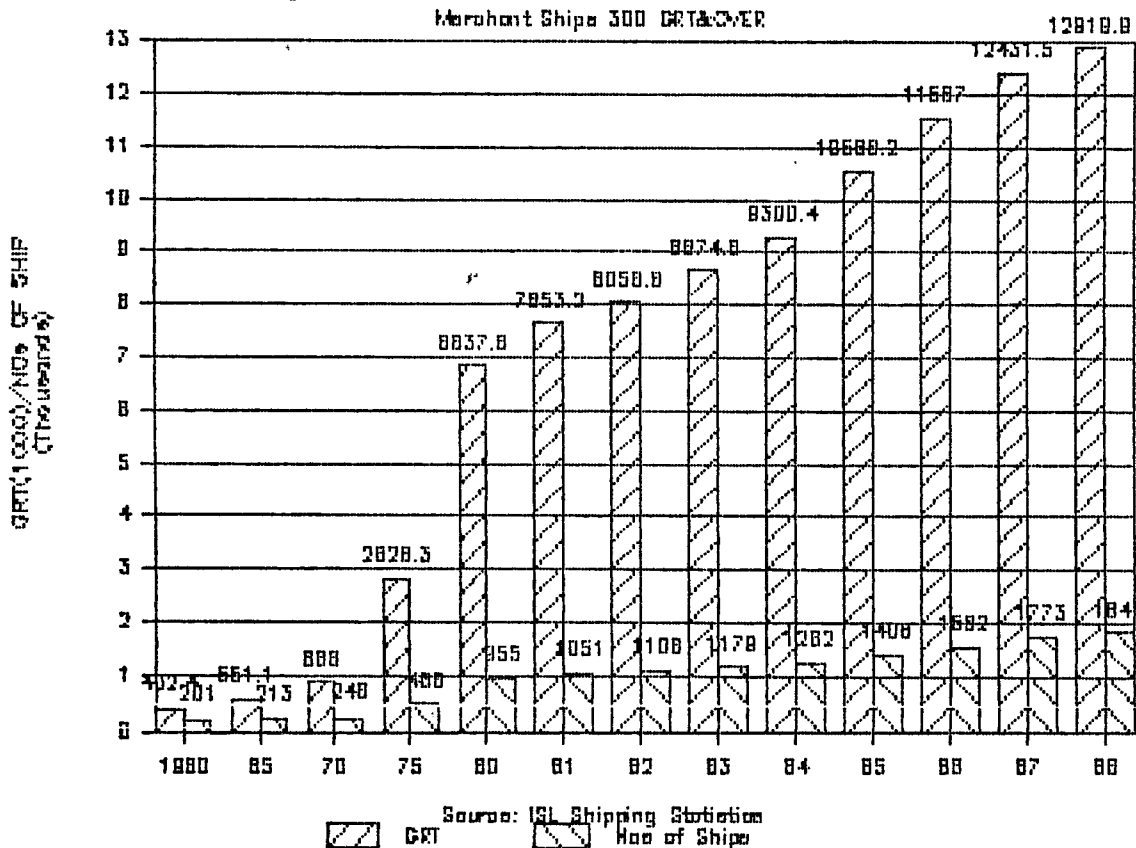
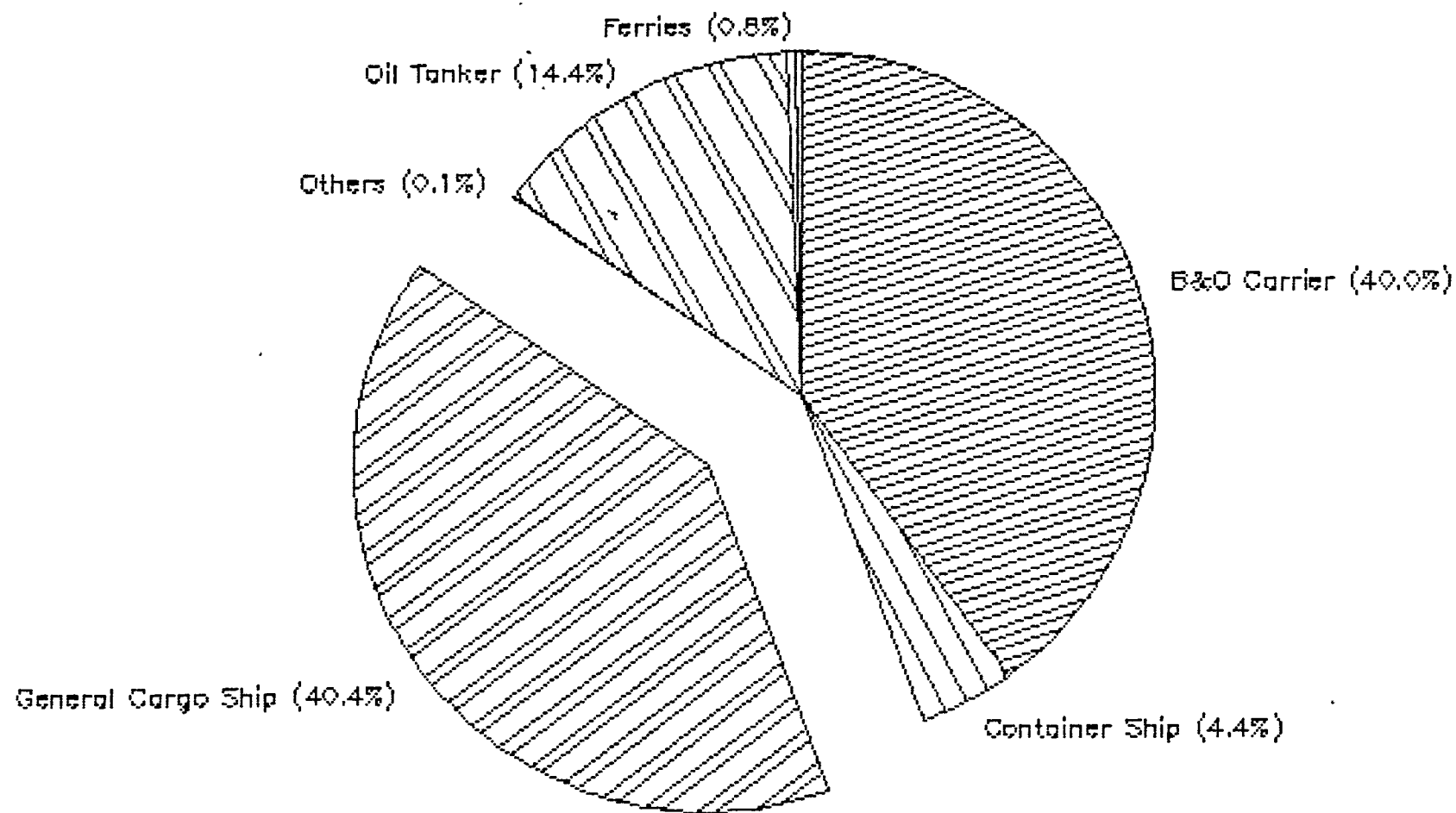


Figure 4. China's Fleet By Ships' Type

By January 1st, 1989



3.1.2. The Organization Of Merchant Marine

All the Chinese shipping companies belong to different level governments. The internal organization of a shipping companies is much like governmental organization. The managers at different levels correspond with the government officials. Therefore, there are companies at the level of vice ministry, department and division.

According to the services supplied by the companies, Shipping companies in China can be classified into the following categories:

- (1). Deep-Sea Companies Or Ocean Companies. These companies fully serve the foreign trade, such as China Ocean Shipping Company (COSCO), Sino-Polish Joint Stock Company, Yick Fung Shipping Enterprises Company, Ltd (based in Hongkong), Sinotrans affiliated companies in Hongkong, and other companies;
- (2). Near Ocean Companies. These companies mainly serve in south east Asian countries and areas, including Hongkong, Singapore, Japan, and other countries. Most of these companies are owned by the provinces or the coastal cities, some of which are the joint ventures with COSCO;
- (3). Coastal Shipping Companies. These companies mainly serve in the mainland coastal ports. There are three organizations responsible for the most part for coastal transport which are Dalian Shipping Company, Shanghai Maritime Bureau, and Guangzhou Maritime Bureau. There are also some coastal shipping companies belonged to the local governments;
- (4). Inland Waterway Shipping Companies. These companies serve in the inland waterways. MOC Changjiang Navigation Bureau owns and operate a large fleet for inland water transportation.

3.1.3. China Ocean Shipping Company (COSCO)

3.1.3.1. The Structure Of COSCO.

As said before, China Ocean Shipping Company, known as COSCO, founded in 1961, is the biggest domestic shipping enterprise in China. At present, COSCO owns and operates over 610 vessels of different types, aggregating 14 million deadweight tons. COSCO now has subsidiary companies in five coastal cities of Guangzhou, Shanghai, Tianjin, Qingdao and Dalian, and has formed joint-venture shipping companies with provincial authorities of Jiangsu, Zhejiang, Hebei, Anhui, Hunan, Anhui and Jiangxi (see Annex 1. COSCO Service, Domestic Organizations). As to its overseas development, COSCO has set up offices and appointed shipping representatives in Japan, Singapore, Hongkong, Syria, Pakistan, Kuwait, the F.R.Germany, U.K., USSR, North Korea, Canada, Panama, etc., and has also established 20 joint-ventures with foreign entities in Japan, Thailand, Kenya, Australia, Belgium, Netherlands, F.R.Germany, Norway, USA and Hongkong (see Annex I. COSCO Services, Overseas Offices and Representatives).

3.1.3.2. COSCO Fleet And Service

In COSCO's fleet, there are fullcelluer and semiceller container vessels, being altogether 57 in number and 50,460 TEUs in capacity. The containers used in different lines reach to 158,000 TEUs. COSCO's 16 ro/ro vessels totaling 160,000 DWT, are mainly commissioned for carriage of heavy equipment, containered cargos and vehicles, etc. The bulk carriers, presently covering 187 in number and 8.64 million DWT, are chiefly involved in transporting grains, ores, coal, and timber. There are 350 general cargo vessels consisting of 4.4

million DWT. COSCO's tanker fleet, consisting of 14 tankers with the total tonnage of 540,000 DWT, is specialized in carrying crude oil and petroleum products in liquid. In addition, COSCO also owns submersible barge carriers, passenger ships and timber carriers, With vessels of various types calling at 600 ports or more in over 150 countries and regions.

Up to the present, COSCO has inaugurated 41 regular liner routes connecting the major trading ports of China with a great number of ports in the world. With regard to container liner services, COSCO maintains 63 sailings per month from China to Japan, Hongkong, South East Asia, Australia, Europe, North America, and the Persian Gulf. As to multi-purpose lines, monthly sailings reach 46, covering a wide range from China to Japan, Southeast Asia, East and West Africa, the Mediterrean and Europe (see Annex I. COSCO Services, The Route Map of COSCO Ships).

Table 5. COSCO Fleet

Types of Ships	Numbers	DWT (TEUs)
Container Ships	57	50,460(TEUs)
RO / RO Ships	16	160,000
Bulk Carriers	187	8,040,000
General Cargo Ships	350	4,400,000
Tankers	14	540,000
Total	624	13,140,000(50460)

Source: COSCO

3.2. China's Shipbuilding Industry

3.2.1. The Development Of Shipbuilding Industry

Shipbuilding is one of China's oldest industries.

It can be traced back to remote antiquity. China's inventions, such as the compass adapted for use by mariners, made her ships superior to those of other maritime nations some centuries before they found their way to the European shipbuilders. From the Han Dynasty (206 B.C. to A.D. 220) to Ming Dynasty (1388-144), China's shipyards excelled over those of other nations in ship's design and construction. During the reign of Ming Emperor Yongle, 2,149 ships, including BAOCHUAN (treasure ship), were built for Zhenghe's seven voyages which reached to the Persian Gulf, the Red Sea, and the Horn of Africa. That long period of great innovative shipbuilding and navigation activities ended with Ming Dynasty in the Seventeen century. From the Qing Dynasty (1644 to 1911) to the first Chinese Republic (1912 to 1949), Merchant shipbuilding was not notable.

China's shipbuilding industry has experienced a significant growth since 1949 when the People's Republic of China was founded. The development of China's shipbuilding industry may be divided into three stages. Before 1960s, it was the first stage. In the 1950s, the USSR provided China equipment and facilities as well as shipbuilding technology. The China's shipbuilding could make progress. For example, China could build about 10,000 deadweight ships by 1960. The second stage fell in between 1960s and 1978. The development achieved in this period was very important because many ships, mostly military vessels and civil ships, especially some highly sophisticated ones, were built but it was a pity that China was cut off from the rest of the world and her shipbuilding industry could not develop as fast as it should because of the particular political situation at that times world shipbuilding industry was in a period of rapid expansion between in the 1960s and 1970s. However, in 1978, the Third Plenary Session of the CCP brought a turning point in China's shipbuilding industry. Since then, China's shipbuilding industry came to a period of

continuous development. In the recent past ten years, China's export ships' tonnage has amounted to 280,000 tons. The countries importing ships from China have expanded from Hongkong to 20 countries and regions. The types of export ships are from general cargo ships to various models and very sophisticated ships. China has ranked fourth among world shipbuilding nations.

3.2.2. The Organization of China's Shipbuilding

Prior to the Fifth national Congress in May 1982, China's shipyards, associated institutes, and factories were directed under the Sixth Ministry of Machine Building Industries, the Ministry of Communications, and the State Administration of Aquatic Products. Provinces, municipalities, and autonomous regions also operated shipyards. Construction of larger merchant ships of various types, specialized vessels such as exploration vessels, naval vessels and oil rigs were under the jurisdiction of the Sixth Ministry of Machine Building. Some smaller merchant ships were the scope of the Ministry of Communications, and the fishing vessels were under the State Administration of Aquatic Products.

During economic and political reform in the 1980s, for the coordination of the whole country's shipbuilding, the Sixth Ministry of Machine Building was abolished, and at the same time, the more unified corporation - China State Shipbuilding Corporation (CSSC) - was set up.

3.2.2.1. China State Shipbuilding Corporation (CSSC)

CSSC is a nation-wide body under the direct control of the State Council, which performs two functions, shipbuilding and ship export. CSSC subsidiaries have amounted to over 160 and have been distributed over 20

provinces, municipalities and autonomous regions of China with total employees 293,000, including 50,000 technical personnel and 5000 technical specialists in ship's design and reserch.

CSSC, headquartered in Beijing, has ten following departments:

.Planning	.Trading
.Product Control	.Financial
.Technical	.Personnel
.Ship Repairing	.Military Engineering
.Office	.Equipment Material Supply

CSSC, according to geographical location, has been divided into main companies, called corporations(group), which are located in Dalian, Tianjin, Shanghai, Guangzhou, Wuhan, Chongqing, Xianmen, Jiujiang, and Kunming. To promote and facilitate sales of ships to foreign and domestic buyers, CSSC established the China Shipbuilding Trading Company (SCTC) as the subsidiary organization. Another subsidiary, China offshore Platform Engineering Corporation(COPECO) was created to be responsible for the design, construction and repairing of offshore drilling rigs.

3.2.3. China's Shipbuilding Capacity

3.2.3.1. Shipyards

China's major shipyards are located along the east coast of China while many small and medium sized shipyards are situated on the coast of Changjiang, Zhujiang and other rivers. Among others, the shipyards which can build ships over 1,000 DWT are distributed over 16 provinces and 22 municipalities (see Table 6. Number of Shipyards).

Table 6. Numbers Of Shipyards

Province	Large-Medium Yards	Small Yards	Total
Jiangsu	-	38	38
Guangzhu	3(Guangzhou, Huangpu and Wenchong)	24	27
Zhejiang	-	19	19
Shanghai	4(Jiangnan, Hudong, Shanghai, Zhonghua)	12	16
Hubei	-	14	14
Fujian	1(Mawei)	11	12
Sichuan	-	11	11
Liaoning	2(Dalian, Bohai)	6	8
Shandong	-	7	7
Tianjin	1(Xingang)	5	6
Anhui	1(Wuhu)	5	6
Hunan	-	5	5
Guangxi	-	5	5
Heilongjian	-	4	4
Others (4)	-	14	14
Total	12	180	192

Source: JAMRI Compiled From China Maritime Directory-1988

Notes: Large Sized Shipyards: Building 30,000 DWT Or Over

Medium Sized Yards: Building 10,000 -30,000 DWT

Small Sized Shipyards: Building 1,000-10,000 DWT

Up to 1987, there are 7 large sized shipyards capable of building ships of 30,000 DWT and above (Table 7. Facilities Employees, ets of Major Large Sized Shipyards). Shipyards now being engaged in ship exports amount to 10 in number, namely Dalian, Jiangnan, Hudong, Shanghai, Guangzhou and Zhonghua. CSSC has 26 shipyards all over China. There are some other repairing shipyards belonging to the jurisdiction of the Ministry of Communications (COSCO). Other small sized shipyards and fishing vessel shipyards belong to local governments.

3.2.3.2. New Building Tonnage

In the 1980s, China's shipbuilding has experienced great growth. Tonnage of newbuilding increased from 818,000 DWT in 1980 to 1,920,000 in 1987. Tonnage of newbuilding in gross tonnage increased from 196,000 tons

Table 7 Facilities, Employees, etc. of Major Large-Sized Shipyards

Shipyard	Location	Facilities for newbuildings				Facilities for repairing		No. of employees (of which technicians)	Marine industry (Main engine)	Year of foundation (Size of site)
		Building dock Berths	(L(m) x B (m))	Max. ship size (1,000 DW)	Crane (t x number)	Dock, Floating dock	L(m)x B(m)			
Dalian Shipyard	Dalian	BD	Scheduled to be completed at end-1991 (plan) 350x80	300	G.C. 600 (plan)			15,000		1898
		1 B	307x50	150	G.C. 580x1	1 D	133 x22	(design 300)	SULZER,	1.53 M m ²
		2 B	290x35.5	60	100x2	2 D	169 x30	(female 5,000)	B & W	(new & old plants)
		3 B	255x27 185x20	35	75x2 40x1	D	185.5x20			
Jiangnan Shipyard	Shanghai	B	232x40	60	150x1	1 D	155 x18	14,500 (technicians		1865
		B	230x38	40	75x1	2 D	184 x24	1,300)		
		B	240x24	30	40x2 15x1	3 D	190 x38.5	(new/repair 8,000)		720,000 m ²
Hudong Shipyard	Shanghai	1 B	217x30	40	(to be expanded to 60 Type in future)	D				
		2 B		60	100x2	D		12,000 (technicians	B & W,	1955
		S L	245x39		63x1	F.D		1,000)	PIEL-STICK	950,000 m ²
		"	No.1~6 105.0 No.7~8 105.0		100x2					
Shanghai Shipyard	Shanghai	B	228x28	35	100x2	D	23.2x40			
		B	186x22 (Extended width 212 m)	40	40x2	D	190 x38 189.5x38 158 x32 other x 4, 35FD x 1	10,000 (new/repair 5,000)	SULZER, B & W	1900 610,000 m ²
Xingang Shipyard	Tianjin	1 B	263.7x28	30	200x1, 15x1	1 D	212 x28	6,400		1939
		2 B	197.5x24	5	70x1, 40x1	2 D	100 x12.7			560,000 m ²
Guangzhou Shipyard	Guangzhou	1 B	170x27	28	100x2	1 D	155.5x24.2	8,000		1958
		2 B	166x22	20	40x2	2 D	70.5x19.4			700,000 m ²
		3 B	140x22	10						
Zhonghua	Shanghai	B	170x26	20						Main & sub
		B	140x24	8				6,000		plants
		B	140x20	7						350,000 m ²
		B	135x17	5						

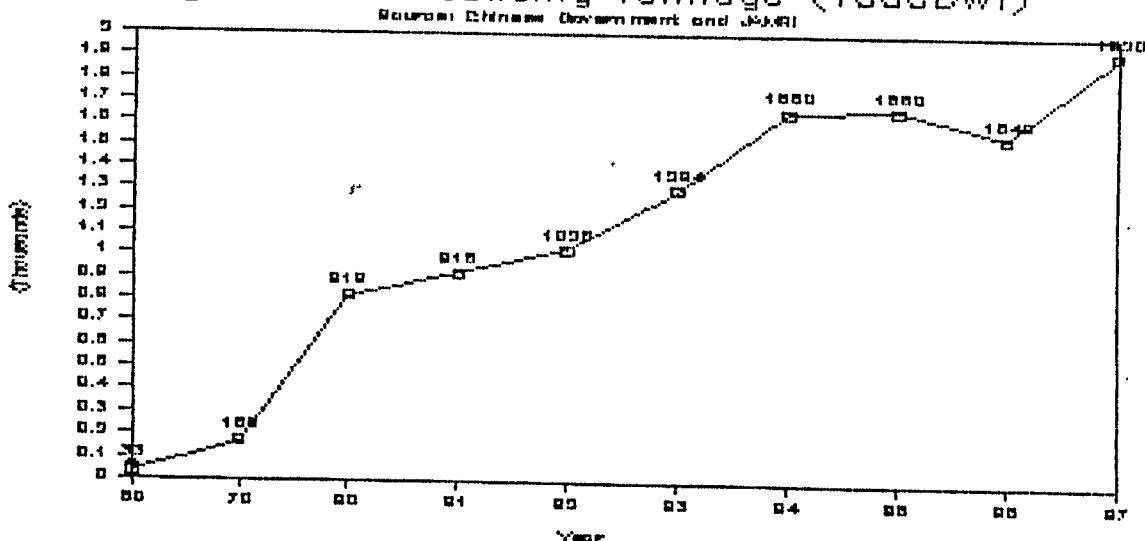
Remarks: BD: Building dock, B: Berth, S: Slipway, S.L.: Side-Launch berth, D: Repair dock
Numbers represents the number of berth.

Source: JAMRI Report

in 1983 to 222,000 GRT in 1989 (see Figure 5. Tonnage Of Newbuilding). From 1979 to 1989, the received tonnage for export ship was 2.83 million tons and launched tonnage was 2.2 million tons.

In 1989, the total output of CSSC amounted to 4.66 billion RMB (Chinese Yuan, 986 million US\$), and increased by 16% in 1988. The launched vessel in 1989 was 248 in number with total tonnage of 607,000 tons. The total amount of export trade was 520 million US\$ and total booked tonnage for export was 223,000 tons, including 80,000 tons oil tankers and 65,000 tons freighters. Launched export vessels in 1989 were 24 in number with tonnage of 28,300 tons, including 65,000 tons cargo ships and 122,600 tons container vessels.

Figure 5. Newbuilding Tonnage (1000DWT)

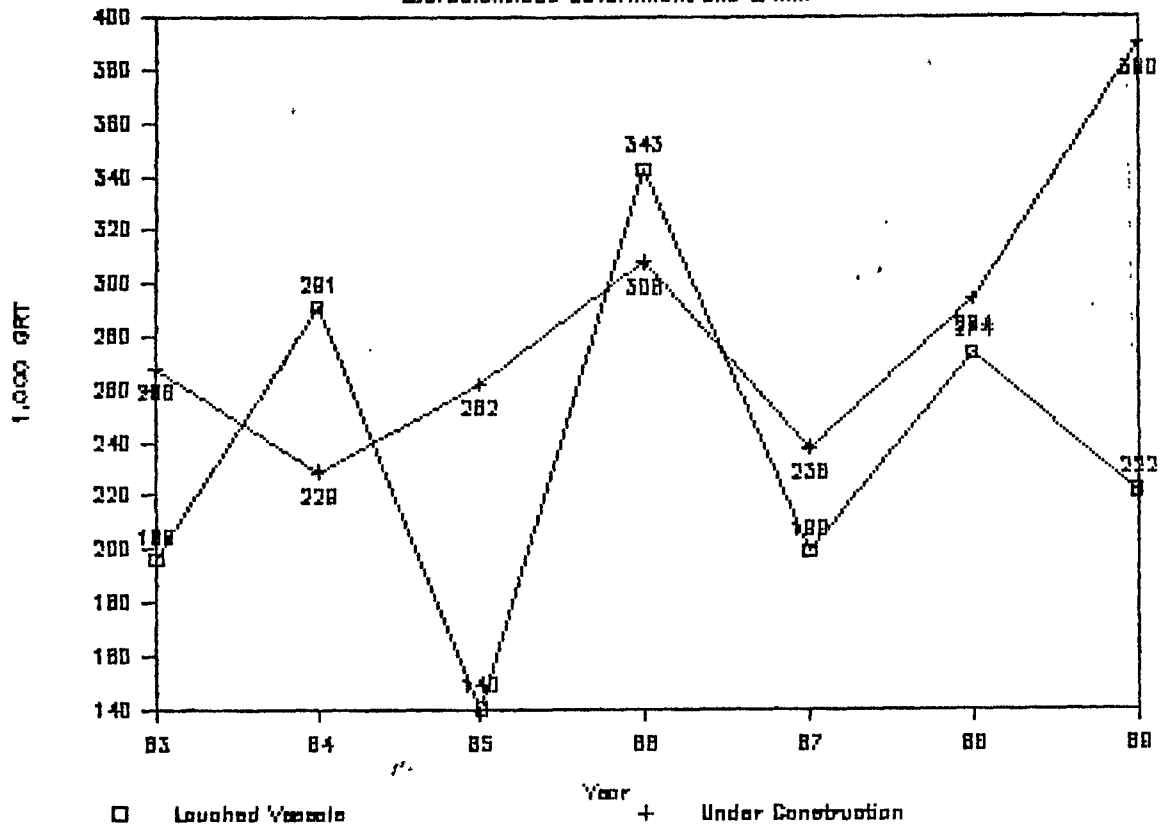


(To be continued)

(Continued)

Merchant Ships Launched & Construction

Source: Chinese Government and IJAR



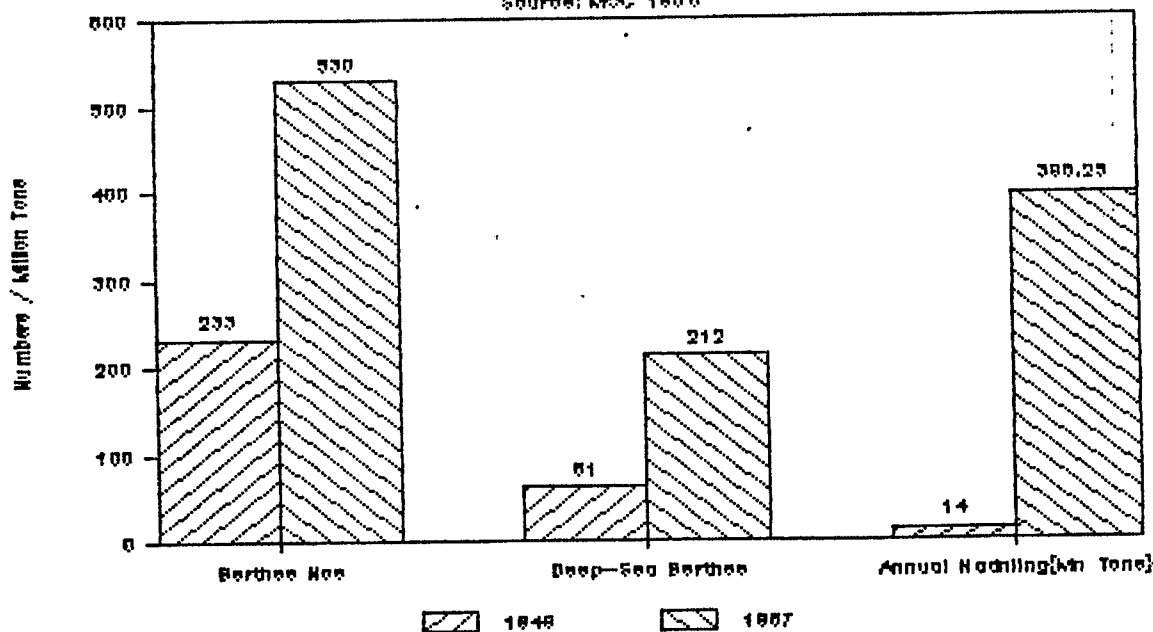
3.3. China's Sea Ports And Shipping Service Industries

3.3.1. Development of Sea Ports

China's sea ports have had a significant growth since the foundation of the People's Republic of China in 1949. There are 190 various sea ports in China. Among others, the coastal medium-large sized ports are 60 in number, including 26 ports whose annual cargo handling capacities are over 1 million tons. The total sea port berths have increased from 233 in number in 1949 to 530 in number in 1987, the total number of deep-sea water berths (capable for 1,000 DWT ships) from 61 to 212, and annual handling capacity from 14 million tons to 396.25 (see Figure 6. Development of Sea Ports).

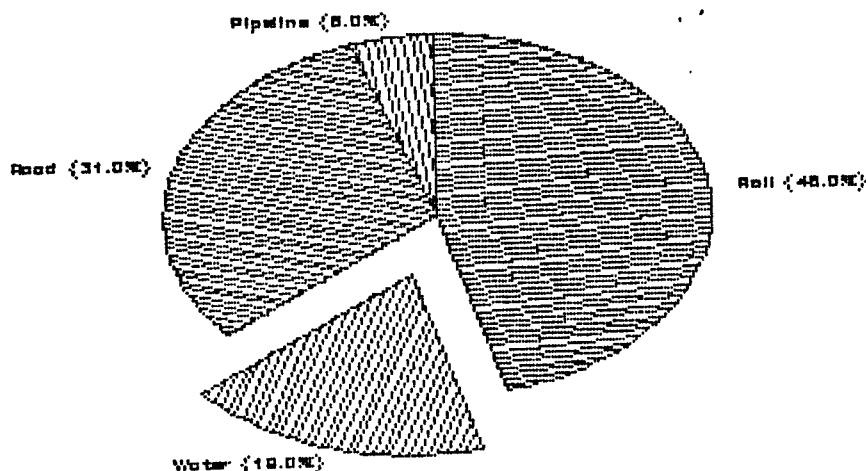
Figure 6. Development Of Sea Ports

Source: MOP 1988

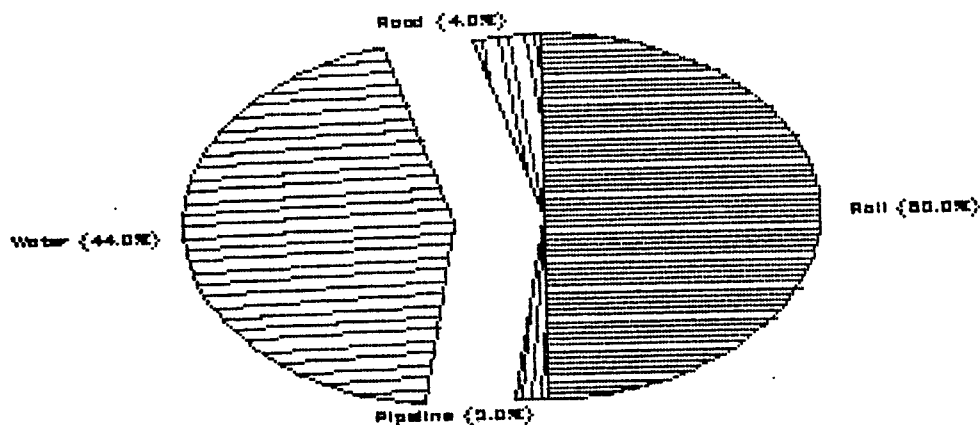


Due to China's long coastal lines and rich inland waterways, water transport through various ports has been played an important role in the whole models transport means. In 1987, the cargo volume through water transport accounted for 18% and cargo turnover 44% of the whole transport models (see Figure 7. Main Models of Transport and Percentage).

Figure 7. Transport Models & Percentage
Source: MCC 1988 (Cargo Volume)



Cargo Turnover
Source: MCC 1988



3.3.2. Location And Organization Of Sea Ports

China's sea ports are located on the east coast of the North Pacific. In the north part of China (Generally speaking, China is divided into two parts by Changjiang, i.e., north part and south part.), there are 16 main sea ports. In the south part, there are 23 sea ports (see Map 1. China's Sea Port). Among others, there are seven major sea ports from north to south, namely Dalian, Tianjin, Qinhuangdao, Qingdao, Shanghai, Huangpu(Guangzhou), and Zhanjiang. The annual handling capacities of these ports are more than 10 million tons (see Table 8. Traffic in Major Ports).

Table 8. Traffic In Major Ports

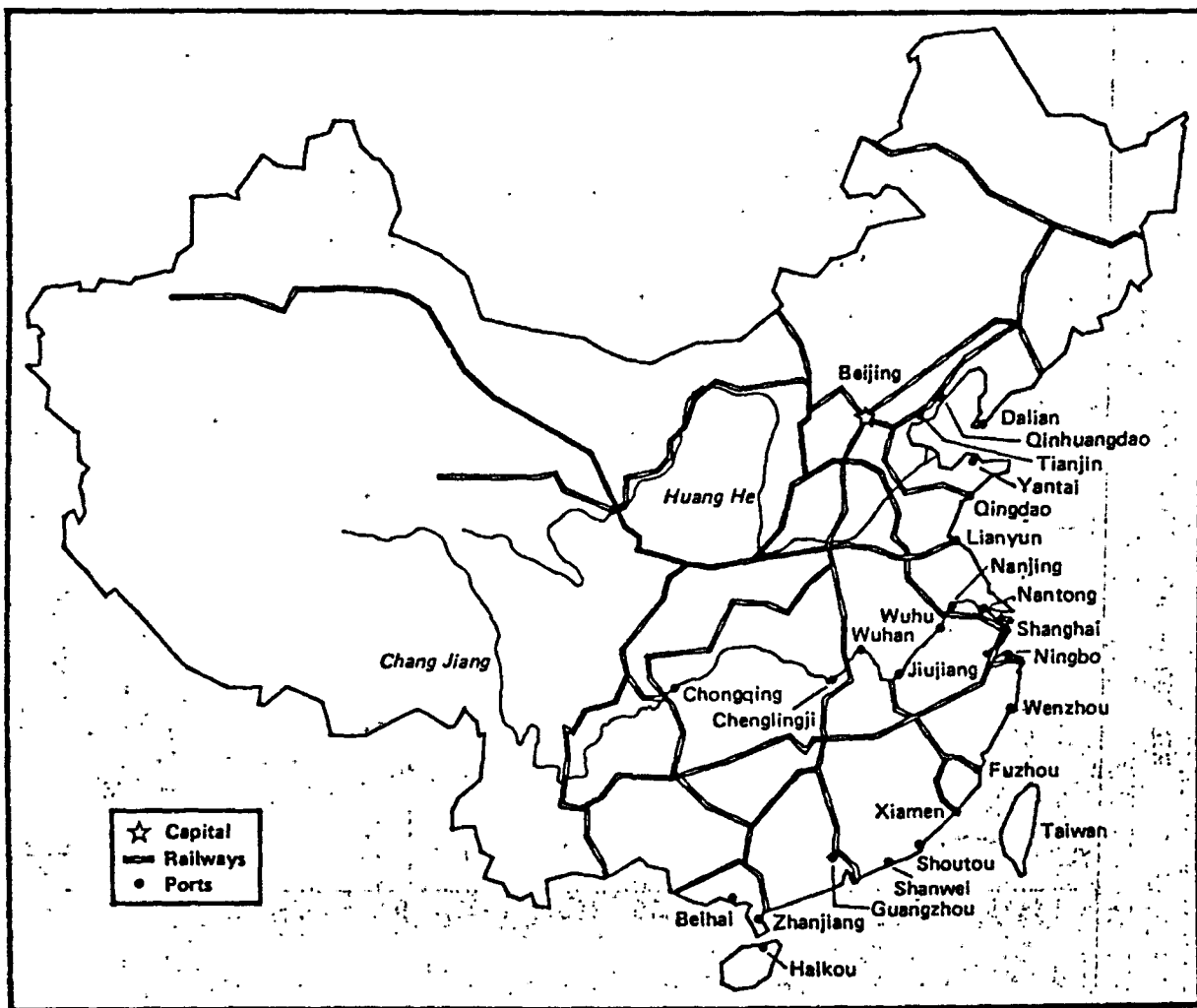
Ports	Major Cargos Handled	Berth Numbers	Annual Capacity(Mn Ts)		
			1950**	1978**	1987**
Dalian	Oil,Break Bulk, and Container	65+(11)*	1.8	28.4	46.0
Shanghai	Container,Coal, Break Bulk	96+(19)*	2.1	77.5	128.3
Qinhuangdao	Coal,Oil & Coal	32+(8) *	0.9	22.2	58.8
Qingdao	Oil,Break Bulk	26+(11)*	1.5	22.0	30.2
Tianjin	Grain,Container & Break Bulk	38+(3) *	0.9	11.3	17.2
Huangpu	Break Bulk	-	0.3	10.5	22.2
Zhanjiang	Break Bulk	-	0.06	9.4	14.2

Source: * From JANRI, ** From MOC Statistics.

Over the last decade, under the guidance of the new national open door policy, China's maritime shipping, including ports, has been given momentum. To facilitate more rapid port development, the management system in relation to all main ports along the coastline directly under the auspices of the Ministry of Communications has been reformed since 1984 in order to introduce a system called "Dual Control with Local Authority Taking Lead." Major seaports except Qinhuangdao have been decentralized

to the Local authorities.

Chart 2. China's Sea Port Distribution



3.3.3. Shipping Service Industries

With the development of China's merchant marine, ports and others, shipping service industries have been developed. Regarding the services for foreign ships (including Chinese ocean ships) calling at China, the China Ocean Shipping Agency (Penavico) was established in 1950s. With 48 branches and further local offices, Penavico handled 21,000 ships last year. Including containers, this means it handled 150 million tons of cargos. In 1987, the government decided that Sinotrans could also handle ship's agency. So another ship agency, Marine Shipping Agency (Sinoagent), exists now.

In terms of ship's salvage and towage, under the MOC, there are 145 ships of different types and sizes engaged in these services, including 36 tug boats in HP from 2,640 to 20,800 with speed varied from 14 to 20 knots, and 9,000 employees, including 600 divers and 5,000 seafarers.

In aspects of port construction, ship supply and other services, there are many enterprises providing such services, such as China Harbour Engineering Co., China Maritime Industry Corp., China Ocean Shipping Tally Co., China Foreign Ship Supply Co., Foreign Ship Fueling Supply Corp., etc. Around the sea ports, China has established full-scope shipping service industries.

PART TWO

CHINA'S MARITIME SHIPPING

POLICY AND ITS EVALUATION

PART TWO

CHINA'S MARITIME SHIPPING POLICY

In part one of this paper, we could see that an integrated system of China's maritime shipping industries has been established and we could also say that China has risen to a merchant marine power among the world's maritime nations. But why and how has China become a merchant marine power? What is left behind the development of maritime shipping industries? I think national maritime shipping policy at the different stages has been playing a very important role in the development of China's maritime industries. Therefore, in this part, I would like to discuss what the compositions of China's maritime shipping policy are, how the nation's maritime infrastructures influence the maritime shipping policy and visa versa, and the evaluation of the maritime shipping policy.

CHAPTER IV

THE COMPOSITIONS OF CHINA'S MARITIME SHIPPING POLICY

4.1 Definitions And Concept of China's Maritime Shipping Policy

Maritime shipping policy constitutes a part of a country's overall economic policy. It depends on the nation's economic development because maritime shipping industries has always coincided with the development of a nation's other industries.

China's maritime shipping policy may be defined as a totality of the applications of economic, legal and administrative measures to her maritime shipping

industries in order to promote her maritime status in domestic and foreign trade.

China's maritime shipping policy has two different aspects : domestic, which means that the policy applies to China's own maritime industries; and foreign, which means that the policy applies to the maritime shipping industries of other nations, especially, to foreign merchant marine. These two kinds of China's maritime shipping policies constitute the complete China's maritime shipping policy.

In terms of China's domestic maritime shipping policy, we could divide it into two parts, one of which is the policy applying to the domestic shipping industries serving the domestic economy, and another of which is the policy applying to domestic shipping industries serving purely foreign trade. In the latter case, there also exists differences between the shipping industries registered in the domestic areas and in the overseas areas.

If we discuss maritime shipping policy applying to the domestic economy (other than foreign trade), we could also find the differences existing between the coastal shipping policy and inland waterways transport policy.

As said above, the scope of maritime shipping policy is very wide. But in this paper, I would like to focus on the study of China's maritime shipping policy applying to domestic shipping industries serving foreign trade and domestic shipping, and foreign maritime shipping policy.

4.2 THE COMPOSITIONS OF CHINA'S MARITIME SHIPPING POLICY

As said early, the China's maritime shipping policy includes, as a whole, legal, economic, and administrative measures' applications to its maritime shipping industries in order to promote its maritime status in domestic and foreign maritime trade. Generally speaking, China's maritime shipping policy consists of maritime legislation (legislative policy), maritime administrative policies, and maritime economic policy (national development plans) which deal with, inter alia, the following matters:

- .deep-sea, coastal and inland waterways shipping;
- .shipbuilding;
- .port activities;
- .maritime finance (People' Bank Of China and Bank of China);
- .shipping regulations and maritime law;
- .customs;
- .freight rates;
- .ship's chartering;
- .maritime personnel and education;
- .maritime arbitration;
- .maritime agreement;
- .marine insurance;
- .international maritime activities.

4.2.1. Maritime Legislation

China's maritime legislation includes maritime laws and shipping rules. The distinction between maritime laws and shipping rules is that maritime laws are formulated by the legislative bodies (NPC or NPC Standing Committee) and shipping rules are formulated by the administration (the State Council and its ministries) according to China's law. Although China has not worked out a complete maritime code yet, China has formulated a series of shipping rules governing shipping. One thing should be born in mind that the

principles of China's fundamental laws also apply to maritime shipping.

Regarding maritime law, up to now, Maritime Traffic Safety Law Of The People's Republic of China was adopted at the 2nd Session of the Standing Committee of The 6th NPC on 2 September 1983 and came into force on January 1984. Maritime Safety Law is not only a law concerning better control of maritime traffic and assurance of the safety of vessels, installations, property and human life but also a law concerning safeguarding the sovereignty and national interests of China. This law consists of 12 parts with 50 articles governing survey and registration of vessels; manning of vessels and installations; navigation, berthing or carrying out operations; assurance of safety; carriage of dangerous goods; rescue at sea; salvage and wreck removal; investigation and settlement of maritime traffic accidents and legal responsibilities.

The shipping regulations appear in the form of regulations or documents formed by the State Council or its ministries regarding maritime matters. Generally speaking, the Ministry of Communications is responsible for forming shipping rules regarding ship's registration, freight rates' approval, maritime safety, and approval of establishment of shipping companies. When the rules are beyond the jurisdiction of MOC, these rules are always formulated by the State Council or all the ministries concerned.

Among others, the main shipping rules are the following:

- .Regulations governing the registration of sea-going ship 1988;
- .Regulations governing supervision and control of foreign vessels 1979;
- .The business regulations of China Ocean Shipping

Agency 1986;

.Rules for transport of passengers by water 1980;

.Rules for transport of goods by water 1979;

.Regulations governing the ports and harbours 1985;

.The provisional regulations concerning preferential treatment for port and terminal development projects financed by the Chinese and foreign joint ventures 1985;

.The provisional regulations governing administration of the port's international container terminals.

4.2.2 Maritime Administration

China's maritime administration plays a very important role in the development of China's shipping industries because the maritime administration perform two functions, one of which is the administration of shipping industries, another of which is to certain extent the management of the shipping industries. There are certain governmental agencies responsible for the administration of maritime shipping industries. Generally, MOC is responsible for the administration of ports, merchant marine, etc. The Ministry of Machinery and Electronic Industry is responsible for the administration of the shipbuilding industry and the Ministry of Agriculture is responsible for the administration of the fisheries and the superintendency of the fishing ports.

MOC performs, inter alia, the following main maritime administration functions:

.unifying the arrangement of studying economic policies of water and road transport industries;

.formulating shipping rules and maritime administrative regulations according to the laws concerned;

.forming the national water and road transport

policies;

.undertaking the administration of water transportation;

.developing the relevant system of transport and approving the applications of the relevant system of transport and inter-provincial water transport enterprises;

.negotiating the bilateral agreements with foreign counter parts in the field of water transport;

.dealing with the matters concerning the international organizations, including IMO;

.harbour superintendency administration, including ship's registration and port control of the sea-going vessels.

As said before, the maritime administration in China performs not only shipping administration but also control of shipping enterprises, especially to the big shipping companies. However the maritime administration's functions have been changed to some extent since the economic and political reforms began to be introduced in the early 1980s. The functions and duties of transport-related governmental departments have been redefined. In so doing so, the operational authorities have been entirely or partially transferred to the shipping enterprises themselves or local authorities. As a result, the government can exert more control over the macro-economic activities of the industries without being heavily involved in the operations of the transport systems.

4.2.3. National Economic Plan - Five Years Plan And Long Term Plan

National economic plan concerning shipping industries (Five Year Plan or other long term plan) comprises an important part of China's maritime shipping policy. The Five Years Plan(FYP) is approved by the NPC

and is implemented by the State Council and its ministries and provincial or regional governments. Generally, FYP gives the outline of national economic development and the State Council makes out the executive plans according to FYP. For example, according to the 7th FYP for National Economic and Social Development of the People's Republic of China (from 1986 to 1990), up to 1990, the total cargo volume of the whole nation will be amounted to 914 billion metric tons and will increase by 44.6% compared with 1985, including 6000 million tons of water transport increasing to 23.2% compared with 1985. And then the State Council and its ministries make out the plan in detail according to the FYP. The FYP also gives the national transport policy. For instance, the 7th FYP stipulated that 'for realizing the above goals, the following policies and measures should be taken: (1).to encourage state, collective bodies and individuals to invest in transport and communications; (2).to strengthen technical reforms reconstruction and enlargement and fully utilizing the existing facilities; (3).to develop multi-modal transport and container transportation, and increase the efficiencies and quality of trains, ships and aircraft; (4).to promote the reforms actively and steadily'.

According to the FYP, the various ministries will make out the individual plans such as national inland waterways , coastal, ocean shipping, and port development plans. The various companies or enterprises will develop their own business under the national development policy.

As said before, China's economic system is a central planning economy. The national development plan determines the nation's economic development including shipping industries. After the reforms in the 1980s, the government has changed from the micro-

economic control of the economy to the macro-economic instructions to national economy through legislation. In the shipping world, a policy called Competition In Shipping has been introduced.

CHAPTER V

CHINA'S MARITIME SHIPPING POLICY AND ITS EVALUATION

I have discussed about the development of China's maritime shipping industries in the early chapters. In this chapter, I would like to discuss the development of China's maritime shipping policy with the development of China's maritime shipping industries. After the deiscussion, you may observe that China's maritime shipping policy has the following features:

.maritime administration has always been playing an important role in policy making and implementing;

.shipping policy, just like other economic policies, has always had a strong link with China's political situations;

.in the composition of China's maritime shipping policy, there are more governmental documents (so called 'red titled documents) which are not easily to be known by the public representing the maritime policy at different stages than other forms;

.ad hoc plans or governmental decisions always interfered with the long term policy in the past;

.national economic plans (FYPs) comprise an important part of China's maritime shipping policy.

For analysis and evaluation of China's maritime shipping policy at the different stages of the development of China's maritime shipping industries, I would like to discuss China's maritime policy by dividing it into the following five periods of time according to China's social development:

.1949-1952, the first three years from the foundation of the People's Republic of China;

.1953-1957, the First Five Years Plan period;

.1958-1965, Great Leap Forward period and the period of time for recovering the national conomy;
.1966-1976, the Great Cultural Revolution's period of China;
.1977-1989, the new period for China's economic development.

From 1949 to 1965, this period of time was the formative years for China's maritime shipping industries when China began to resume and develop her own maritime shipping industries. The period of time from 1966 to 1976 was the time of the continuous growth in China's maritime shipping industries. From 1977 to 1989, this period of time was on expanding period for China's maritime shipping industries.

5.1. The China's Maritime Shipping Policy From 1949 To 1952

As said early in part one of this paper, when the People's Republic of China was founded in 1949, it left with very few merchant marine and other shipping industries. Most part of China's merchant marine was shifted to Taiwan and the shipping facilities were seriously damaged by the continuous war whic happened in China. The new China had only a small fleet with the 12,000 gross tonnage and most of them were too small to sail at sea.

The new government took a series of policies and measures to recover the sea and coastal transportation. In the first three years from 1949 to 1952, water transport including sea transport had achieved a lot in the rehabilitation and development of the national economy. If we take the cargo volume transported by sea in 1950 as 100, the cargo volume in 1951 and 1952 were respectively 460.75 and 604.3. The shipping policy at this period of time had following features:

5.1.1 Establishing The New System Of Merchant Marine And Shipbuilding - Institutions Setting

On March 12, 1950, the State Council promulgated Decisions On The Shipping Work 1950 which provided that MOC might establish the General Shipping Bureau and General Shipping Company to instruct shipping construction and to exercise maritime administration. According to the decisions, the General Shipping Bureau should set up the local shipping bureaus in Tianjin (administering branches in Yantai, Weihai, Qinhuagdao, Qingdao, and Lianyungang), in Yengkou (later changed the title to North-east Shipping Bureau, administering the branches in Dalian and Dandong), Shanghai (administering branches in Ningbo, Fuzhou, and Xiamen), Guangzhou (administering branches in Shantou, Haikou, Yulingang, and Guangzhou), Taiwan (waiting for being united), and Chongqing (administering branches along Changjiang). For the unification of the administration and management of the state owned shipping companies, the General State Owned Shipping Company was formed in Shanghai.

For strengthening shipping and port administration and facilitating the development of shipping, the Financial Commission of the State Council promulgated a governmental document called Orders Concerning Unification of Administrations of Shipping and Port. This document expressly stated that the General Shipping Bureau and local port authorities were authorized governmental bodies administering shipping and ports of the whole nation. MOC directly controlled the management of the state owned companies, shipping business and the sea freight.

In 1951, the maritime administration system had an adjustment in order to satisfy the need for the development of the shipping industries. In MOC, the

Maritime Bureau, the Inland Waterway Administration Bureau, and the Fairway Engineering Bureau were formally set up. The local shipping administrations also were adjusted and five port authorities were established in Dalian, Tianjin, Qingdao, Shanghai and Guangzhou. These port authorities were responsible for not only the management of the ports but also cargo handling and warehousing.

Regarding shipbuilding industries, the existing shipbuilding industries were divided into three systems: one was that the shipyards mainly built merchant ships and war ships - under the jurisdiction of the Sixth Ministry of Machinery; one was the building and repairing of fishing vessels - under the jurisdiction of the fishing department; one was the system for shipyards mainly repairing vessels - under the jurisdiction of the MOC.

5.1.2. Encouraging Overseas' Chinese Vessels Retaining New China

The New Government adopted a policy stating Considerations Must Be Given To Both The Public And The Private Sectors, And Benefits Must Be Received By The Labour And Capital. Influenced by this policy, many overseas Chinese owners sent their vessels come to new China. Therefore, the fleet of new China was increased.

5.1.3. Developing International Maritime Cooperation

Due to the Embargo of US and Taiwan, New China must rely on other countries' cooperation. During these three years, New China had good maritime relations with Poland, Czechoslovakia and the Soviet Union.

New China started with her own ocean shipping by means of the establishment of the Chinese - Polish Stock

Shipping Company (CHIPOLBROK). CHIPOLBROK was formed in 1951 after China and Poland concluded a bilateral maritime agreement. At the beginning, CHIPOLBROK started with 9 vessels including 5 Chinese vessels with 50,030 dead weight tons and 4 Polish vessels with 38,250 dead weight tons. All the vessels were under the Polish flag in the first years. This company, among others, is the earliest and successful maritime joint ventures between China and other countries. CHIPOLBROK has been in an important position in Chinese ocean shipping history.

The first three years after the foundation of New China was a hard time for New China. The new Government faced with inflation, unemployment and reconstruction of the country. The reconstruction of the sea transport was more difficult because China had a small merchant fleet and the south-north coastal sea transport could not directly proceed due to the military conflicts in the Taiwan Strait between Mainland and Taiwan. Even though new China had many difficulties in recovering and developing sea transport, New China took a series of reasonable policies to development her own shipping industries. As a result, overseas Chinese ships continued to return New China and sea transport started to recover. Through the international cooperations, New China began with her own ocean shipping at that period of time. Up to 1952, China's maritime shipping was basically resumed. In 1952, the cargo volume by water transport was 51.41 million tons and the cargo volume handled in the main coastal and Changjiang ports was 23.11 million tons increasing by 102.2% and by 154% respectively compared with 1949. The Chinese and Polish Joint Venture Company made China resume and expand trade with Indian Ocean and Baltic Sea coastal countries. Shipbuilding and ship repairing had also primarily resumed and formed.

5.2. China's Maritime Shipping Policy From 1953 To 1957

From 1953 to 1957, China carried out the First Five Year Plan which was made out by the State Council and approved by the NPC. In the First FYP, there was a provision provided that 'alongside the rapid growth of the national economy, transport industries should be developed accordingly' and 'water transport is the most economical transport, therefore the proportion of water transport in the whole transport model should be raised actively'. In terms of sea transport in the First FYP, it stated that 'at the time the sea transport shall be developed properly' because Taiwan Strait was also under the military conflict between the Mainland and Taiwan and therefore it's difficult to rapidly develop the South-North coastal transport in China.

In the period of time of the First FYP, China concentrated on the 156 big national projects designed under assistance of the Soviet Union, including 194 large and middle sized projects' construction. Most of these large projects were distributed in the North-East and Coastal areas. With the development of construction and manufacturing of the NE areas's steel, coal, machine, oil and chemical industries and the development of the basin areas of Changjiang, the exchange of the construction materials of the North and South parts of China was tremendously increased and the railway transport seriously overloaded. Therefore, sea transport was actually needed to share the cargo flow. The large cargo flow from the North to South was coal, steel, timber, oil and chemical and from the South to North was grain, articles of daily use and salt. In the Huanan Area (Guangzhou, Fuzhou and other southern provinces), the demand for the sea transport also increased to great extent. At the same time, seaborne

trade began to increase (see Table 9. Foreign Seaborne Trade Of China). According to the statistics, in the foreign trade contracts between China and other countries at this period of time, China's share of sending ships was only 20% in which China only had the capacity to carry 40% and for other China had to charter foreign vessels. This means that China only had the capacity to carry 8% of the total foreign trade that time. In order to promote sea transport, Chinese Government adopted a series of policies in this period of time which will be discussed in the following section.

Table 9. Foreign Sea Trade Of China From 1952 To 1958

Year	Foreign Trade (Million Tons)
1952	2.28
1953	3.67
1954	4.35
1955	6.19
1956	8.94
1957	11.58

Source: China's Maritime History.

5.2.1. Readjusting The System Of Maritime Administration - Institution Setting

According to 'Decisions Concerning The Unification Of Two Maritime Divisions Of Beiyang and Huadong' adopted at the conference of National Maritime Transport in November 1952 and 'Instructions Readjusting The Structure of Maritime Organization and Administration Relations In the Maritime Administration' adopted on April 30, 1953, the MOC readjusted the maritime administration system. The result included the following:

.establishing the unified maritime transport system. The MOC and its subsidiaries directly controlled and managed the shipping enterprises and ports;

.dividing maritime administration into two divisions - Shanghai and Guangzhou. Shanghai Maritime Administration was responsible for the maritime administration and maritime shipping enterprises in the North of Changjiang, including Ningbo, Wenzhou and Fuzhou. Guangzhou Maritime Administration was responsible for administration and management of cargo and passenger sea transport in the South part of China.

.Emphasizing administration and control to the private maritime enterprises. The two maritime administrations respectively adopted measures to control private enterprises by means of unification of plans, cargo procurement and freight rates.

.unification of administration of sea ports. Major sea ports were changed to the subsidiaries of the MOC General Maritime Administration Bureau. The harbour administration in each port had three functions: administration of the port and harbour areas representing the State, performing cargo booking, freight forwarding, and harbour planning, construction, management and cargo handling.

5.2.2. Remoulding The Private Shipping Enterprises

According to the report submitted by the MOC to the Financial Commission Of the State Council in September 1952, there were 87 private maritime shipping enterprises with 166 sea going vessels of 97,017 dead weight tons (see table 10. Proportion Of Shipping Statistics In Different Ownerships In 1952). The private shipping companies' DWT in 1952 was 42%. According to this report, these companies always disturbed the national economic plan because they were owned by the private sectors and managed by the old management system. Some of them evaded the taxation. Some of them had financial difficulties to develop further because of poor management. To overcome these kinds of problems, it was the only way to change the

ownership of these companies.

In the period of time of the first FYP, according to the national policy called 'Socialist Reforming actively, steadily and in the planning way', the MOC decided on the process of remolding the private ownership of shipping enterprises in three steps. The first step was unification of plan, cargo procurement and freight rates. The second step was to foster joint ventures between private sectors and then between the private sectors and the public. The last step was peaceful buying-out of private shipping enterprises. In 1957, all the private maritime shipping enterprises combined with the public owned shipping enterprises. The same happened in the shipbuilding industries.

Table 10. Proportion Of Shipping Statistics In Different Ownerships In 1952 (%)

Ownership	Numbers of Ships	DWT	Cargo Volume	Cargo Turnover	Passenger Transport
Public	36.22	53.99	58.73	62.67	32.11
J&V*	4.02	7.84	3.52	8.30	4.48
Private	59.76	9.07	37.75	29.03	10.74

Source: China's Maritime History. * J&V means the public and the private joint ventures.

To satisfy the growing demand for shipping, the government strengthened the reforms of the management of shipping enterprises and adopted a series of measures in order to raise the efficiency of sea transport. As a result, the shipping industries including port and shipbuilding achieved much in the first FYP. The total tonnage of MOC subsidiary's companies was increased from 233,000 DWT in 1952 to 375,000 DWT in 1957. The cargo volume transported by the ships rose from 4,170,000 in 1952 to 1,223,000 in 1957. The cargo volume handled in the main sea ports rose from 13,480,000 tons in 1952 to 37,260,000 tons in 1957 (see Table 11. Shipping Statistics 1950-1957 and Table 12.

Cargo Handled In The Major Sea Ports 1949-1957).

Table 11. Shipping Statistics 1950-1957

Units	1950			1952			1957		
	DWT	C.V.	C.T.	DWT	C.V.	C.T.	DWT	C.V.	C.T.
Shanghai MA	120	66	365	141	3620	1896	217	1014	5290
GuangzhouMA	32	3	6	42	410	165	59	149	448
Ocean Ships	46	8	918	50	140	1535	99	60	4184
Total	198	75	1289	233	4170	3596	375	1223	9922

Source: China's Maritime History. M and MA means maritime administration; DWT means dead weight tons, the unit used here is 1,000 tons; C.V. means cargo volume transported by the unit concerned, the unit used here is 10,000 tons; C.T. means cargo turn over, the unit used here is million tons miles.

Table 12. Cargo Volume Handled In The Major Sea Ports 1949 - 1957 (1,000 Tons)

Year	Total	Foreign Trade
1949	469	110
1950	829	323
1952	1348	248
1957	3726	771

Source: China's Maritime History.

5.2.3. Continuing To Develop International Maritime Cooperations

After China and Poland established a joint venture, China's policy was to continue to seek international maritime cooperation with foreign partners. On June 9, 1955, China and Czechoslovakia concluded a maritime agreement concerning Czechoslovakia operating one Chinese owned ship. Later on another two Chinese ships joined with the above. 'Operating' here means that Czechoslovakia operated Chinese vessels and received

Czechoslovakia operated Chinese vessels and received the 3% commissions on the whole expenses of the Chinese vessels each year. On March 9, 1959, China and Czechoslovakia signed another maritime agreement on establishing the Chinese-Czechoslovakia International Shipping Stock Company Ltd with headquarters in Czechoslovakia and an office in Beijing. This company operated 8 ships of 92,509 dead weight tons, including 6 Chinese owned ships with 69,149 dead weight tons and 2 Czechoslovakian ships with 23,360 dead weight tons. The sailing arrangement consisted of two Chinese ships from South China to the Black Sea, two Chinese ships and two Czechoslovakian ships from North China to the Black Sea, and two Chinese ships from North China to Europe. This company operated till March 1967 when the two parties decided to terminate the contract.

Using overseas Chinese owned ships was another important policy. Before 1958, 60% of foreign trade in South China was transported by the Overseas Chinese owned shipping enterprises.

The period of time of the first FYP was the time when China's national economy rapidly resumed and developed. The growth of a national economy and foreign trade needed accordingly development of coastal shipping and ocean shipping. During this period, China continued to develop international maritime cooperation. It was proved by China's practices that such a policy was reasonable and was beneficial to China and counter parties.

In terms of the combination of maritime administration and shipping enterprises and the nationalization of the private shipping enterprises, we must consider it from the historical and practical points of view. This policy did promote the utilization of existing China's merchant marine under the national

economic development plans but we should not ignore the fact that the State or Maritime Administrations directly operating shipping enterprises, in particular, in the domestic markets, had more disadvantages because one important thing lost in shipping was the competition in the shipping markets among shipping enterprises. In my opinion, the policy of nationalizing the private shipping industries was too early and too fast and also the policy of unification of plan, cargo procurement and freights had limited the development of competition in shipping.

5.3. The China's Maritime Shipping Policy From 1958 to 1965

In 1957, China achieved the goals laid down by the First FYP one year in advance. In this year, the Eighth CCP National Congress was held in September. The national development policy was formed at the Congress. The national development policy formed at this Congress was to concentrate on the development of social productive forces and realization of national industrialization in order to meet the requirement of people's social economy and culture. It was the best year in 1957 in China's economic history but in 1958, the government adopted an ambitious economic policy which was so called 'Great Leap Forward' in order to accelerate the development of the national economy. The policy could be spelled out that by 'Taking The Steel Product As The Key Link' (that means giving the first priority of national development of the national economy to the production of steel). According to this policy, the national output of steel should be increased from 5.35 million tons in 1957 to 10.7 million tons in 1958, i.e., achieving the goals laid down by the Second FYP three years in advance. For the task of 10.7 million tons of steel production, the transport authorities arranged all necessary plans for transporting of all raw

materials such as coal, ore, coke and raw iron. Therefore, transport plans far exceeded the capacity of transport facilities. The national economy, including shipping industries, seriously suffered from the 'Great Leap Forward' in the late 1950s and in the early 1960s. In the late 1950s, the government began to mend the undesirable policy - Great Leap Forward and adopted a new policy so called 'Readjusting, Consolidating, Replenishing And Improving Of The National Economy' and then the national economy including shipping industries developed in a healthy way from 1962 to 1965.

5.3.1. The Problems Facing The Shipping Industries During The Great Leap Forward

In terms of domestic sea transport, the transport capacity of existing shipping fleets could not meet the demand of transport due to performing national economic policy - Great Leap Forward. For instance, in North China the capacity of sea transport was only 0.95 million tons, but the cargo needed to transport from May of 1958 was increased 2.21 million tons each month. The transport capacity was far more reaching than the demand. The same thing happened in South China.

Another thing facing shipping industries was that the handling capacity of ports was seriously insufficient. The construction of ports was not compatible with the development of transport and the growth of the fleet. The total amount of national investment in the ports comprised 0.4% of total national investment in the First FYP, 0.3% in the Second FYP and 0.2% in between 1963-65. Generally speaking, the average berthing time for one ship increased from 3 days in 1957 to 3.8 days in 1963 and 4.4 days in 1965.

5.3.2. The Policies And Measures Adopted In This Period

5.3.2.1. Chartering, Purchasing Foreign Ships And Domestic Construction Of Sea-Going Ships

To overcome the shortage of ship's tonnage in domestic transport, the government decided to charter the foreign flag vessels in the coastal transport. These chartered ships included Soviet ships, eastern European ships and other countries'. This policy did ease the difficulties in coastal transport. The cargo volume transported by these chartered ships consisted of a considerable part of total volume of cargo transported by sea (see Table 13 The Percentage Transported By Chartered Ships In The North Area Of China).

Table 13. The Percentage Transported By The Chartered Ships in North Area Of China

Year	Chartered Tonnage (DWT)	Cargo Volume (1,000t)	Percentage (%)
1958	51,847	2,880	21.7
1959	184,511	5,280	26.3
1960	190,125	5,480	22.6

Source: China's Maritime History.

In addition to the chartering policy, another policy adopted in order to meet the demand for shipping was to buy foreign ships so as to expand the national fleet. At that time, the average chartering hire for one DWT for one year was £ 10.96 but the average purchasing price for one DWT was only £11 to £12 so the purchasing price was roughly equal to chartering price. Then the government decided to buy ships from the budget of chartering ships in stead of chartering. Shanghai Maritime Administration bought 31 vessels from the world shipping markets with 283,900 dead weight tons and Guangzhou bought 8 ships with 63,300 dead weight tons.

Chartering and purchasing foreign vessels cost a lot of foreign exchange. For the long term development of shipping industries, purchasing and chartering were realized as not long term strategy so the government decided to develop China's own shipbuilding industries. From 1958, China began to design and build ships with her own forces.

In this period from 1958 to 1965, China's shipping industries sustained a very hard difficulties due to the so called Great Leap Forward policy. But it was because of this policy that China's shipping industries could develop faster than the normal speed (see Table 14 Ship's DWT And Cargo Transported By Sea). The numbers of ships purchased and built from 1959 to 1960 comprised 76.6% of total numbers of ships purchased and built between 1958 and 1965.

Table 14. Ship's DWT And Cargo Transported By Sea

Year	DWT (1,000t)	Cargo Volume (1,000t)
1957	276	11,630
1958	312	16,131
1962	594	12,960

Source: China's Maritime History.

5.3.2.2. Establishing China's Own Ocean Fleet

Before 1960s, although China had concluded some bilateral maritime agreement with other countries, most of China's foreign trade was transported by chartering ships. This cost too much foreign exchange. In order to save foreign exchange and develop China's ocean fleet, China decided to establish her own ocean fleet. On April 4, 1961, the China Ocean Shipping Company (COSCO) was formally set up. COSCO developed very fast in between 1961 and 1965. The tonnage of COSCO owned ships increased from 270,000 DWT in 1962 to 602,000 DWT in 1965 because COSCO had purchased many second hand

ships and new building ships. The world second hand ship and new building markets was just in a depression in this period of time. In the late 1950s and in the early 1960s, the laid-up ships' tonnage increased much and the secondhand ship's price had a considerably reduced. The shipbuilding capacity of the world market was at a surplus of 30-40% and the shipyards had to receive the orders from long term shipbuilding loans. In this period of time, COSCO began to buy secondhand ships and new building ships with shipbuilding loans supplied by the foreign yards. Up to 1964, the ocean ships' sailing routes of China had arrived in South East Asia, Europe, Africa and West Asia. The percentage of cargo transport by COSCO ships increased from 6.1% of China's arrangement of shipment of China's foreign trade in 1961 to 13.3% in 1965 (see Table 15 China's Foreign Trade Transport Arrangement In 1961 And 1965).

Table 15. China's Foreign Trade Transport Arrangement in 1961 And 1965

	1961	1965
Foreign Cargo Volume(1,000t)	15420	24590
Arrangement By China(1,000t)	13950	17540
COSCO Transport'	850	2330
Percentage	6.1%	13.3%
Chartered Ships Transport	13100	15210
Percentage(%)	93.6%	86.7%

Source: China's Maritime History.

In this period of time from 1958 to 1965, China's maritime shipping policy had the following features:

.The shipping policy had a strong link with the national economic policy. The development of shipping industries including merchant marine, ports and shipbuilding industries was determined by the whole

nation's economy. So, meeting the requirements of national economy was the basic element of national maritime shipping policy. The policy of ports and shipbuilding was to meet the demand of merchant marine;

.The shipping policy was represented in the form of plans and governmental documents;

.China attempted to sell goods to foreign countries in CIF (Cost, Insurance and Freight) and to buy goods in FOB (Free On Board). Therefore, China was in a better position to chose carriers. It was the original element of the ocean shipping policy for the development of China's ocean fleet;

.China began to control the ocean freight tariffs in China's foreign trade. Although China controlled the arrangement of carriers for China's foreign trade, the liner conference controlled the freight tariffs. In 1957, the freight rate decreased greatly in the world market but the freight rates in China's areas continued to increased. So the government decided to form her own ocean freight tariffs which were made according to the world markets. The liners should accept China's tariffs. There were a lot of struggles raised after the implementing of this policy between China and foreign liners. At last most of liners trading with China accepted China's tariffs. This success was a very important event in China's ocean shipping history because the cargo freight was reduced, the foreign trade of China increased the capacity of competition in the world market.

On the whole, from 1958 to 1965, although China's economy suffered from the Great Leap Forward, China's shipping industries had developed to a great extent just due to the ineffective policy (see Table 16 Shipping Statistics 1957-1965 and Table 17 Cargo Volume Handled In The Major Sea Ports 1957-1965).

Table 16 Shipping Statistics 1957-1965

Units	1957			1962			1965		
	DWT	C.V.	C.T.	DWT	C.V.	C.T.	DWT	C.V.	C.T.
Shanghai MA	217	1014	529	517	1166	601	471	1363	657
GuangzhouMA	59	149	45	77	130	63	104	289	146
COSCO	99	60	418	270	79	611	602	246	1277
Total	474	1223	992	864	1375	1275	1177	1898	2080

Source: China's Maritime History. MA means maritime administration; DWT means dead weight tonnage, the unit used here is 1,000 tons; C.V. means cargo volume transported by the respective units, the unit used here is 10,000 tons; C.T. means cargo turnover, the unit used here is 10 million tons miles.

Table 17. Cargo Volume Handled In The Major Sea Ports 1957-1965

Year	Total (Million Tons)	Foreign Trade (Million Tons)
1957	37.26	7.71
1962	52.65	12.26
1965	71.81	21.71

Source: China's Maritime History.

5.4. China's Maritime Shipping Policy From 1966 To 1976

In the period of time from the mid 1960s to the mid 1970s, world shipping was in the period of time of high tech equipment, such as computers, which were widely used in the shipping industries and container ships began to rise. At that time, China's maritime shipping industries were just in the first step of the development. If they had proceeded in the normal way they would have achieved more success. From 1966, China began to carry out the so-called Great Cultural Revolution which lasted 10 years. China's national economy including shipping industries seriously suffered from the Great Cultural Revolution, in particular, from the beginning of the Revolution to the late 1960s. From 1971, the economic and political situation began to recover gradually.

5.4.1. The Problems Facing The Shipping Industries In The Beginning Of The Great Cultural Revolution

Due to the political movement of The Great Cultural Revolution, China's maritime shipping industries had more difficulties because the normal order and maritime businesses were broken by the so called Revolution. The main problems facing shipping industries were:

(1). Serious Port Congestion

The cargo handling capacity of sea ports originally could not meet the requirement of the development of the national economy. In the ten years' turmoil, the problem of port congestion became more serious. According to the statistics, in June of 1967, there were 138 foreign vessels each day in China's major sea ports, Dalian,

Qinhuangdao, Tianjin, Qingdao, Shanghai, Huangpu and Zhanjiang, among which there were 75 vessels waiting for berths. Some of them spent more than one month waiting for berths.

(2). Bad Conditions Of Sea Going Vessels

China's infrastructure of ship repairing and building was also originally weak. Due to the turmoil, normal ship repairing could not be performed. In the fleet of the Shanghai Maritime Administration, there were 8 vessel without repairing for four years, 20 vessels without repairing for three years and 32 vessels without repairing for two years. Because the coastal ships were old vessels, for instance, there were 10 vessels over 27 years old among 11 vessels in fleet of ore carriers in Guangzhou Maritime Administration, the vessels could not carry cargoes as normal. The quality of new building ships built in the domestic shipyards was not good. Many new buildings might return shipyards to repair after launching because of bad constuction. The shipping enterprises sustained a considerable loss of profit.

(3). Maritime Administration Being Overthrown

In the turmoil, normal maritime administration "could not be performed. Most governmental agencies were downed with. The whole shipping system fell into the situations of non-control. Up to 1971, the maritime administration began to be resumed.

5.4.2. Shipping Policy From 1966 To 1976

Although there were a lot of difficulties in this period of time, China's maritime shipping industries developed to great extent. Shipping policy had the following characteristics.

5.4.2.1. Submitting To Diplomatic Needs And Serving Foreign Trades - The Ocean Shipping Policy

As said above, the ocean shipping policy of China is always directed toward the maximum satisfaction of China's foreign trade. In 1970, the total seaborne trade of China was 252.1 million tons, of which China's part for arrangement of carriage was 166.7 million tons. China's merchant ocean fleet could only 21.3% of all the China's part. The other 78.7% had to be carried by chartering other flags' ships. So in 1970, Premier Zhou Enlai pointed out that 'to make efforts to develop China's own ocean fleet so as to end chartering foreign vessels in five years'.

In 1972, the cargo volume of international trade had a tremendous decrease. Cargo freight, chartering hire and prices of second hand vessels had a considerable decrease as well. The MOC obtained bank loans to buy ships by approval of the State Council in 1972 and in 1973. In these two years, China bought 161 vessels with total tonnage of 23.4 million DWT. In 1974, during the world oil crisis after the Middel East Conflicts, MOC bought 22 tankers with the total of 11.3 DWT in order to meet the requirement of the oil export of China. This was the crucial step to achieving the task without chartering foreign ships for foreign trade in five years. In 1975, the State Council approved again the buying of 3 to 4 million DWT vessels. Up to 1975, the DWT of China's ocean fleet exceeded 5 million tons, increasing to 4.2 million DWT as compared with 1970. In 1976, the cargo volume transported by Chinese ocean ships was 70% of China's foreign trade designated to China's arrangement of vessels

in foreign trade.

Submitting the need for China's foreign policy was another task of China's ocean shipping. In 1962, after the independence of Cuba, China's ocean vessels were sent to carry the necessary goods to Cuba. In 1965, during the Vietnam War, China's vessels were sent to carry a lot of staffs to Vietnam. After the independence of Tanzania at the end of 1964, the President of Tanzania visited China to ask for economic assistance. Premier Zhou Enlai suggested establishing a joint venture shipping company in order to strengthen the economic relations between the two countries. On 22 June 1967, the China - Tanzania Joint Venture Shipping Company was set up.

5.4.2.2. Institution Setting

Due to the turmoil of The Great Cultural Revolution, in the beginning years of the turmoil, the maritime institutions could not work normally. To resume and reconstruct maritime institutions constituted an important part of maritime shipping policy in this period. The important institutions setting work included the following:

(1). In October 1972, China Ocean Shipping Company and China Ocean Ship Agency were reconstructed while the ocean shipping management of China was separated from the department of Water Transport in MOC;

(2). In October 1972, the members of the Board Directors of China Merchants Navigation Co. Ltd were reappointed by the MOC;

(3). In February 1973, the Leader Group For The Construction Of Ports In The State Council was

established in order to strengthen the construction of sea ports.

(4). In 1973, Maritime Convention Division was set up in the Harbour Superintendency after China became the membership of IMCO (IMO) in 1973.

(5). In December 1973, the National Command Post Of Maritime Safety consisting of various governmental agencies and military forces set up in order to coordinate maritime search and rescue.

Institution setting was very import in China because various maritime institutions in China not only perform the national shipping policy but also to great extent play an important role in policy making. We can not ignore this fact when we study China's maritime shipping policy.

5.4.2.3. Developing Of Sea Ports And Shipbuilding industries

Regarding port development, as mentioned earlier, port congestion was very seriously in the late 1960s and in the early 1970s. In 1973, Premier Zhou Enlai pointed out that "the port problem must be solved" and "in three years the ports problem should be solved preliminarily". After then, new construction of sea berths and optimum utilization of existing port facilities were being done. Up to 1976, the tasks laid down in 1973 were completed.

In terms of shipbuilding policy in this period of time, the shipbuilding policy could be explained by Premier Zhou Enlai. In 1973, Premier Zhou Enlai pointed out that "China would devote major efforts to developing shipbuilding industries in order to end up with chartering

foreign vessels in foreign trade". In this period, China's shipbuilding policy was to meet the needs of domestic use, especially in ocean shipping. In 1970, the divisions of shipbuilding were reset up. The Sixth Ministry of Machinery was responsible for building the navy and large sized merchant ships. The MOC was responsible for coastal and river vessels' building and the provinces and autonomous regions were responsible for inland water and fishing vessels. The MOC's role in shipbuilding was emphasized after a new shipbuilding policy was laid down in 1973.

5.4.2.4. Formulating Shipping Rules And Acceding International Maritime Conventions- Participating In International Maritime Affairs.

In this period of time, especially during the first half of 1970s, another reason why China's shipping and shipbuilding industries accelerated was that China's foreign relations with Japan, USA, and the EEC countries began to be improved. In 1972, China and the USA signed the Sino-American Communique, in which the USA acknowledged "there is but one China and Taiwan is a part of China". Then the two countries were to increase cultural, social, commercial and scientific exchanges. Diplomatic relations with Japan and the EEC were established in 1972 and 1975 respectively. The improvement of China's relations with western countries helped to expand China's foreign trade volume. As a result, the geographic distributions were greatly changed. Therefore, the demand for ocean shipping increased.

After the improvement of China's relations with western countries and resuming the seat in

the United Nations, China began to participate in international maritime affairs more actively. On March 1st, 1973, China became a member of IMO and signed a series of international maritime conventions. In 1973, China acceded the International Load Line Convention 1966 and the International Convention On The Safety Of Life At Sea 1974. Later on China acceded the Convention on the International Regulations For Preventing Ship's Collisions At Sea 1972. These were the first step for China to join in the international regime governing maritime shipping.

Although China's maritime shipping industries were interrupted by the Great Cultural Revolution, China's shipping industries were accelerated in the first half of 1970s (see Table 18. The Shipping Statistics 1965-1975 and Table 19 Cargo Volume Handled In The Major Sea Ports). As discussed above, with the development of China's foreign relations with other countries, China began to attend the international maritime regime more actively. This step laid down a foundation for Chinese merchant marine to participate in world shipping markets in the following years.

The policies of development of China's port and shipbuilding industries, as discussed earlier, were always derived from the development of China's merchant marine. It was because of the development of China's merchant marine that China's ports and shipbuilding had been accelerated, which laid down the foundation for their vigorous development in the 1980s.

After having discussed above, we would conclude that China's maritime shipping policy in between 1965 to 1976 had the following features:

.National political situation impacted on China's maritime shipping policy too much;

.Serving China's foreign trade was the first and basic policy of China's ocean shipping policy so as to control the arrangement of vessels in foreign trade and saving foreign exchange;

.Expanding fleet to satisfy the needs of foreign trade and domestic uses was the basic point of shipping policy for the development of the merchant marine and other shipping industries;

.Submitting to foreign affairs constituted on part of national foreign policy.

Table 18. Shipping Statistics 1965-1975

	1965			1970			1975		
	DWT	C.V.	C.T.	DWT	C.V.	C.T.	DWT	C.V.	C.T.
Shanghai	4.7	136	6.57	7.3	192	9.92	11	310	16.6
Guangzhou	1.0	28.9	1.46	1.9	38.1	1.35	4.3	62.6	4.4
COSCO	6.0	24.6	12.8	11	49.9	22.6	54	242	94.9
Total	12	190	20.9	20	281	33.9	69	614	116

Source: China's Maritime History. Shanghai here means Shanghai Maritime Administration and Guangzhou means Guangzhou Maritime Administration; DWT means dead weight tons, the unit used here is million tons; C.V. means cargo volume transported by the respective unites, the unit used here is million tons; C.T. means cargo turnover, the unit used here is billion tons miles.

Table 19. Cargo Volume Handled In The Major Sea Ports 1965-1975

Year	Total (Mn Tons)	Foreign Trade (MnT).
1965	718.1	217.1
1970	941.5	237.9
1975	1435.8	396.6

Source: China's Maritime History.

5.5. China's Maritime Shipping Policy From 1977 To 1989

After the downfall of the Gang Of Four in 1976, China proceeded into a new period of development. In particular, since 1978, China's economy has developed rapidly. China began to import more highly specialized capital goods, such as various whole sets of equipment. For balance of these imports, China also increased its exports of coal, crude oil, agricultural and light industrial products and other goods.

China's economic relations with western countries has improved since 1978. After the normalization of diplomatic relations with the USA in 1979, the trade between China and the USA also increased rapidly. As a result the total volume of China's exports and imports increased at a rate of 27.4% annually between 1977 and 1979. In 1981, the growth rate was 29% higher than in 1980. From 1981 to 1988, the foreign trade of China showed a continuous growth (see Table 1. China's Imports And Exports). The geographic distribution of China's foreign trade was further diversified (see Table 2 China's Main Trading Partners and Table 3 Trade By Areas and Selected Countries). All these developments stimulated the demand for shipping services in China.

The development of China's maritime shipping industries had the following characteristics:

(1). The rapid growth of China's national merchant fleet. From Figure 3. China's Fleet 1960-1988, we can see that after 1975, China's national merchant fleet had a peak in growth. By the end of 1988, China's merchant fleet had

reached 12,919,900 gross tons (ships 100 gross tons and over) with 1841 vessels.

(2). The continuing use of flags of convenience and chartering foreign flag vessels. China used the flags of convenience through Chinese owned and controlled shipping companies based in Hongkong and other places. China also continued to use chartered ships to satisfy the demand for the expanding foreign trade.

(3). The development of containerized transport. Containerized transport was used from Shanghai to Dalian in 1956 but it stopped using this later because of technical problems. In 1976, China began to use container transport. By the end of 1981, the container lines in the coastal China had 9 sailing routes. In terms of ocean route, by the end of 1985, China had set up 94 liner services including over 20 container lines. In 1985, COSCO transported 250 thousand TEUs, an increase of 25 compared with 1984.

(4). The development of local shipping. Before 1981, China's coastal shipping was mainly controlled by the Shanghai Maritime Administration and Guangzhou Maritime Administration, and ocean shipping was dominated by COSCO Sinotrans fleet. After 1981, the merchant marine of the coastal provinces, cities and autonomous regions was developed. China's merchant shipping primarily formed the competitive aspect.

(5). The development of sea ports. In 1980, China was at the period of time when a lot of sea ports and sea berths were being built. From 1981 to 1985, 54 berths were built. Now there are over 60 middle sized and large sized ports, of which 26 sea ports' annually handling capacity exceeded 1 million tons. There are 260 sea berths in the coastal sea ports which can be available for 10,000 DWT sea going ships.

(6). The development of shipbuilding industries. Shipbuilding accelerated in this period and China began to build ships for exports in 1978. A lot of specialized ships and oil platforms have been built by China's shipbuilding industries. China is ranked fifth among shipbuilding nations.

(7). Maritime agreements with foreign countries and joint ventures. China has signed 36 bilateral maritime agreements with foreign counter parties in order to obtain a most-favoured-nation clause, non discrimination regarding ships and crews in between China and each other's ports, port facilities and services, relief from certain taxation and other matters regarding each country's ships and crews.

5.5.1. Merchant Marine Policy From 1977 To 1989

The development policy of China's merchant marine had experienced dramatic changes since the Third Plenary Session Of The 11th Central Committee held in 1978, corresponding to the state policy of economic and political reforms as well as the open door policy. The new policy included encouraging competition in shipping, decentralizing in shipping administration, increasing decision-making rights in the state owned shipping enterprises, and improving the macro-control of the management of shipping through maritime legislation.

(1). Encouraging Competition In Shipping

As a new policy was launched, the operation of water transport facilities was no longer a ministerial monopoly. The central government had laid down new guidelines to encourage the operation of transport means by State owned

enterprises as well as private and collective organizations. A liberal and competitive environment was formed in China's water-borne transport markets. Before 1978, China only had COSCO and some other joint ventures with foreigners. By the end of 1988, there were over 130 shipping enterprises providing ocean shipping services. In terms of cargo procurement, cargo arrangement was done in the governmental planning meeting in the past. After the new policy's adoption, cargo procurement changed into the market competition and the shippers can chose the carriers.

(2) Separating Maritime Administrations From Shipping Enterprises

The inflexible management system previously imposed on shipping enterprises had been rectified, allowing many to become more financially independent. The State also allowed sea carriers more autonomy, narrowed the scope of its directives and let businesses be independent from politics, and ownership separated from operations.

(3). The Improvement Of Macro-Control Management Of Shipping Through Maritime Legislation

The government strengthened its legislation work in order to improve the macro-control of management and to promote a sound development of shipping industries. The NPC Standing Committee and the State Council had passed and promulgated 22 laws and regulation and MOC had promulgated 183 sets of shipping rules and regulations.

(4). Encouraging Establishment Of Joint Ventures With Foreign Countries

By the end of 1984, joint venture shipping companies in China and local authorities owned shipping companies had exceeded over 30. For improvement of maritime administration to ocean shipping, on November 11, 1985, MOC, according to the provisions of the State Council, promulgated Provisional Regulations Concerning Administrations To International Shipping Companies Of China.

5.5.2. The Port Development Policy From 1977 To 1989

To facilitate more rapid port development, the management system in relation to all ports along the coastal line of China directly under the auspices of the MOC has been reformed since 1984 in order to introduce a system of "dual control with the local authorities taking the lead". In the construction of ports, the past method with the government as the main investor had been changed and the channels of multi-source funding have been introduced. To accelerate port development, the Chinese government promulgated the "Provisional Regulations On Favourable Treatment On The Joint Ventures In Port Construction With Chinese And Foreign Investment". Four loans agreements with the World Bank and further three were in the construction of pipelines. Under these projects, seven container terminals and two coal berths have been completed in Shanghai, Tianjin and Guangzhou. Among others, the following were the main points of port development policy in this period:

(1). Harmonization of port administration and management.

In addition to decentralization of port management, for harmonization of port activities,

some non-permanent agencies of the State Council - Port Offices located in the main ports, were established. The Port Offices were responsible for harmonization of port activities, such as customs, frontier guards, harbour superintendency, railway transport, cargo inspection, etc.

(2). Reforming The Management System Of Ports.

As mentioned above, the management of sea ports was decentralized to the local authorities. This reform had stimulated the initial enthusiasm for the combination of port construction and city planning. Regarding financial management and using ports, a new policy adopted was called as "using profits in expenses and using ports feeding the ports".

(3). Simultaneous Development Of Small, Medium And Large Ports.

The priority had been the construction of 5 large sized sea ports. At the same time, the construction of small and medium sized ports also accelerated in order to diversify cargo flows.

(4). Self-Reliance In Construction Of Sea Ports.

Self-reliance is always China's national economic policy. The government encouraged foreign investment in the port constructions and at the time, a self-reliant port policy was also emphasized.

5.5.3. Shipbuilding Policy From 1977 To 1989

The shipbuilding policy of China has been changed since 1979 when China adopted the open door policy. The important part of China's

national shipbuilding policy is to advocate ships' exports. At the same time, importing shipbuilding techniques was the basic measure. The development of China's shipbuilding could be summarized as the procedure: "export ships - importing techniques - improvement - export ships". The success achieved by China's shipbuilding industries witnessed that this policy was reasonable. Among others, the following are important points in China's shipbuilding policy in this period:

.Breaking the administrative divisions and institutions of areas. For coordinating national shipbuilding industries and increasing the competitive capability of China's shipbuilding industries, the China State Shipbuilding Cooperation (CSSC) was formally set up on May 4th 1982. The CSSC is composed of 138 units originally under the Sixth Ministry of Machinery and 15 units originally under MOC. The establishment of CSSC makes China's shipbuilding industries more competitive and more cooperative.

.Importing high techniques and using them in national products. Importing techniques and decreasing importing equipment were important policy of China's shipbuilding industries. The increasing of percentage of national products in shipbuilding was another important part of China's shipbuilding policy. Under these policies, China's shipbuilding industries were increasingly more and more competitive.

Chapter VI .

China's Foreign Maritime Shipping Policy

Something have been discussed in the early chapters. China's foreign maritime shipping policy is always a part of China's foreign policy. Generally speaking, China's foreign maritime shipping policy is represented by China's participation in international maritime activities and attitudes towards foreign shipping in China. In this chapter, I would like to focus three aspects of China's activities concerning her foreign shipping policy, i.e., bilateral maritime agreements with other countries, activities in the international organizations concerning maritime matters, and the policy concerning foreign shipping in China.

6.1. Bilateral Maritime Agreements

China has concluded 36 bilateral maritime agreements with other countries. The considerations for entering into different maritime agreements varied because there exist different maritime interests between China and other countries. Generally speaking, the maritime agreements can be divided into three groups as following:

(1). Maritime agreements concerning maritime facilitation with most favored nation's treatment for each other's ship, crews, cargoes, taxation and availability of port facilities;

(2). Maritime agreements concerning the establishment of joint venture shipping companies and cooperation on shipbuilding;

(3).Maritime agreements concerning transshipment of Chinese cargoes and using free ports.

In addition to the above, there are other maritime agreements included in the bilateral trade agreements between China and other countries.

6.1.1. Maritime Facilitation Agreements

Most of the bilateral maritime agreements concluded between China and other countries belong to this kind of agreement. This kind of bilateral maritime agreements deals with shipping facilitation and cooperation between China and other nations. Although each of these agreements had different political and economic considerations, generally speaking, the main provisions in these agreements deal with the following matters:

- .most favored nation treatment for ships' calling at each other's ports ;
- .recognizing each other's ships' certificates and other documents;
- .recognizing each other's seaman's identity document and competent certificate;
- .non-discrimination against each other's ships and crews in each other's ports;
- .mutual exemption of certain shipping and other taxes;
- .exclusion of cabotage;
- .conditions under which maritime authorities concerned may exercise jurisdiction or intervene in the internal affairs of each other's ships in the ports;
- .simplifying the procedures for each other's ships to enter into ports of counter party;

.cooperation of rescue operations in the event of accident to ships and crews while in each other's ports or in the territorial waters of each other.

China has signed such a kind of maritime agreement with Algeria, Argentina, Bangladesh, Belgium/Luxembourg, Brazil, Chile, Congo, Cuba, Denmark, Finland, France, FR Germany, Ghana, Greece, Indonesia, Italy, Japan, Malaysia, the Netherlands, Norway, Pakistan, Soviet Union, Sri-Lank, Sweden, Thailand, United States, Yugoslavia and Zaire.

6.1.2. Maritime Agreements On The Establishment Of Joint Venture Shipping Companies And Shipbuilding Cooperation

China concluded maritime agreements on the establishment of joint venture shipping companies with Albania, Czechoslovakia, Pakistan, Poland, Sri Lank and Tanzania. The first joint venture shipping company agreement was signed by China and Poland on June 15, 1951, which was very important in the development of China's ocean fleet. After the open door policy was adopted in China in 1979, China has also concluded certain non governmental maritime agreements with foreign enterprises which aimed at the establishment of shipping companies or other types of shipping enterprises.

In order to develop China's shipbuilding techniques and cooperation with other shipbuilders, China's shipbuilders have signed some shipbuilding cooperation agreements with foreign partners. These cooperations have promoted China's shipbuilding techniques to a new level for exports of China built ships.

6.1.3. Maritime Agreements Concerning Transhipment Of Chinese Cargoes And Using Free Ports

China has signed a maritime agreement with Malta concerning using its free ports and transhipment of Chinese cargoes moving into other countries. The same agreements were concluded in maritime agreements with Pakistan and Sri Lanka.

6.2. China's Activities in International Organizations Concerning Maritime Shipping Affairs

After China was restored the China's seat in the United Nations, especially in the late 1970s, China's interests and activities in international organizations expanded. China has become a member of 11 international organizations concerning maritime shipping matters. As a developing country, China has been taking strongly her position in the international organizations supporting developing countries' interests.

6.2.1. International Maritime Organization (IMO)

China became a party to the Convention of the Inter-Governmental Maritime Consultative Organization (IMCO, now IMO) on March 1st, 1973. Since then, China has begun to take part in IMO activities more actively. China, as a developing country and a leading maritime nation, is always standing in the position of strongly supporting the Third World countries' interests. Since 1973, China has become a party to the following IMO conventions and protocols:

.International Convention On The Safety Of

Life At Sea 1960 (5.10.1973);

.International Convention For The Safety Of Life At Sea 1974, as amended (7.07.1980);

.Protocol Of 1978 Relating To The International Convention For The Safety Of Life At Sea 1974, as amende (2.06.1982);

.International Regulations for Preventing Collisions At Sea 1960 (2.06.1975);

.Convention On The International Regulations For Preventing Collisions At Sea 1972, as amended (1.01.1980);

.International Convention For The Prevention Of Pollution By Ships 1973, as modified by the Protocol of 1978 relating thereto (1.07.1983 excepting Annex III and Annex V, 21.11.1988 accepting Annex V);

.International Convention On load Line (5.10.1973)

-1971 Amendments (1.08.1980)

-1975 Amendments (1.08.1980)

-1979 Amendments (1.08.1980)

-1983 Amendments (9.09.1986);

.International Convention On Tonnage Measure Of Ships 1969 (8.04.1980);

.International Convention On Civil Liability For Oil Pollution Damage, 1969 (23.09.1980);

.International Convention For Safety Of Containers 1972 (23.09.1980);

.Convention On The International Maritime Satellite Organization (INMASAT) (13.07.1979);

.Operating Agreement On The International maritime Satellite (13.07.1979);

.International Convention On Standards Of Training, Certification And Watchkeeping For Seafarers 1978 (8.06.1981);

.International Convention on Maritime Search And Rescue 1979 (24.06.1985).

6.2.2. United Nations Conference On Trade And Development (UNCTAD)

China became a party to UNCTAD in 1972. In UNCTAD, China, just like in other international organizations, is always using his affords to support the developing countries' ideas to establish a new world maritime order. China acceded the Code of Conduct for Liner Conferences on September 23, 1980 which came into force on October 6, 1983 although China's shipping companies do not belong to any liner conference.

In terms of International Convention On Carriage Of Goods By Sea, 1978 (Hamburg Rules), China has not ratified this Convention but some of the principles of the Convention have been considered while drafting the Maritime Code of China.

6.2.3. International Labour Organization (ILO)

China was recognized as the representative government of that nation by the ILO governing body on November 16, 1971. China had acceded the following conventions, concerning maritime labour:

- .Minimum Age (Sea)Convention 1920;
- .Medical Examination Of Young Persons Convention 1921;
- .Repatriation Of Seamen Convention 1926;
- .Seamen Convention 1926;
- .Seamen's Articles 1926;
- .Protection Against Accidents (Docker) Convention (Revised) 1932;
- .Final Articles Revision Convention 1946.

6.2.4. United Nations Conference On The Law Of The Sea

China has given the continuous strong support for other developing nations' maritime interests in UNCLOS since China was restored her seat in the United Nations. China has ratified the 1982 United Nations Convention On The Law Of The Sea. It was estimated that the total areas of China's inland waters, territorial waters, exclusive zones and the continental shelf are amounted to 3 million square kilometers (one third of the land area of China) according to the Convention. China made 12 miles territorial waters in the Declaration On The Territorial Seas in september 1958 which remains effect. The foreign merchant ships can enjoy the innocent passage in China's territorial waters.

6.3. Maritime Laws And Regulations Governing Maritime Shipping Activities Of Foreigners In China's Jurisdiction

China has promulgated some maritime laws and regulations governing foreign shipping in China's jurisdiction. These maritime laws and regulations includes Maritime Traffic Safety Law Of The People's Republic of China 1983, the Regulations Concerning Supervision And Control Of Foreion Vessels By The People's Republic Of China 1979, The Regulations Concerning Supervision And Control Of The Traffic Safety In Inland Waters Of The People's Republic Of China 1986, The Marine Environmental Protection Law Of The People's Republic Of China 1982, The Law For The Prevention Of Water Pollution And Counter Measures in The People's Republic Of China 1984, The Regulations

Concerning The Prevention Of Pollution Of Sea Areas By Vessels Of The People's Republic Of China, and Regulations Governing The Registration Of Sea Going Ships 1988.

6.3.1. Navigation Laws And Rules

The principle of navigation of foreign ships in China's territorial waters is that all ships must comply with China's law and rules. According to article 10 of Maritime Traffic Safety Law 1983 (MTSL 1983) and Article 2 of the Regulations Concerning Supervision And Control Of Foreign Ships 1979 (RSCFS 1979), the relevant laws, administrative status and regulations promulgated by the People's Public of China must be complied with by all the vessels, including foreign vessels while navigating, berthing, or carrying out operations in port areas, inland waters and territorial seas of the PRC as well as the waters officially defined as coming under the jurisdiction there of. In terms of the waters officially defined as coming under the jurisdiction of PRC, this means the areas may include the continuous zones defined as ship's quarantine, etc.

According to MTSL 1983, no military vessels of foreign nationality enter into the territorial seas of PRC without being authorized by the Competent Authorities. No-foreign military vessels of foreign vessels can enter into China's inland waters or ports without the permission of the competent authorities except in case of emergency.

6.3.2. Marine Pollution

According to the rules governing marine pollution from ships, all ships shall be equipped with appropriate anti-pollution equipment and no vessels are allowed to discharge oil, oily waters, waste materials or other toxic substances into harbors, water near estuaries, special protection zones in the sea or nature reserves in the sea. The rules provide that in case of pollution occurring from the discharge of oil, oily water, or other toxic substances, vessels should immediately report to the nearest Harbour Superintendency Administration for investigation and settlement. In the event that any vessel is involved in a marine accident, which has caused or is likely to cause a serious pollution damage, the Harbour Superintendency Administration has the authority to take measures to avoid or minimized such pollution damage. The expense arising there from shall be borne by the Shipowner. The rules give the right of making out administrative pollution fines to the Harbour Superintendency Administration.

6.3.3. Port State Control

According to MTSL 1983 and RSCFS 1979, the Harbour Superintendency Administration may exercise supervision and control over foreign ships in China's territorial waters. Since the early 1980s, the Harbour Superintendency Administration has inspected not only ships' documents but also the technical conditions of foreign vessels. According to MTCL 1983, if the conditions of the foreign vessels are inconsistent with what are stated in the vessels' documents, the competent authorities may cause the vessels to undergo a re-survey or instruct their owners or operators to take effective safety

measures. Where the presence of a vessel is considered to be a threat to the safety of the port, the competent authorities may deny the vessel's entry into or order its departure from the port.

The competent authorities may prohibit a vessel or an installation from leaving the port or cause the suspension of the voyage, the change of the sailing route or the stoppage of the operations in case of such vessel or installation being:

.in violation of the relevant laws and administrative regulations promulgated by China; or

.unseaworthy or untowworthy; or

.involved in a maritime traffic accident while not being through with necessary procedures; or

.in default of payment of any amount due to the competent authorities or the departments concerned or being unable to produce security required; or

.involved in any other event demanded by the competent authorities to be determined or likely to be so to the safety of maritime traffic.

6.3.4. Shipping Business Of Foreign Enterprises In China

China allows foreign shipping enterprises to do shipping businesses in China. According to Provisional Regulations Concerning Administration Of Ocean Shipping Companies promulgated by MOC on April 11 1985, apart from the transport of inland waterways and coastal areas, the foreign adventurers or joint ventures with Chinese enterprises registered in China can operate their business subject to the approval of MOC.

For accelerating the development of sea ports, the government has formed 'Provisional Regulations On Favoured Treatment To Joint Ventures In Port Construction With Chinese And Foreign Investment .

PART THREE

**THE CHALLENGING SHIPPING
WORLD AND THE STRATEGY OF
CHINA'S MARITIME SHIPPING
INDUSTRIES**

Chapter VII Political And Economic Impacts On World shipping And The Strategy For China's Maritime Shipping

7.1. Political And Economic Impact On World Shipping And China

7.1.1. European Economic Communities' Shipping Policy And The EEC 1992

The EEC initiatives in international shipping have been a phenomenon of the last decade only and they represent attempts at solving individual problems instead of an overall arrangement (Bredines A E and Tzonos J, in Search of a Common Shipping Policy for the EEC, Journal of Common market Studies, Vol 20, 1981). The legal instruments issued by the EEC deal with the coordination of maritime policy of Member States in the international fora, measures to improve maritime safety and prevention of pollution, the monitoring of the activities of the liner shipping companies of the Eastern Bloc countries in certain trades, and the ratification of the UN Code of Conduct.

The Brussels Package (Regulation 954/1979)

This regulation aims at making the accession to the UN Code of Conduct by a member state compatible with the general provisions of the Treaty of Rome, such as the right of establishment, the competition rules, non-discrimination and the common commercial policy. Basically, it obliges member states to ratify the Code subject to the following reservations:

.The Code will entirely apply to liner trade between developing countries and developed

countries;

.the 40-40-20 formula envisaged by the Code will not apply to the trade between the EEC countries, and on a reciprocal basis between the EEC and other OECD countries; and

.the share allocated under the Code to EEC liners will be redistributed among them on the basis of commercial criteria.

Among others, this regulation also accept closed conferences.

EEC Directives On Aids To Shipbuilding

Among others, on January 26, 1987, the Council of the EEC issued a Sixth Directive, effective from January 1, 1987, to December 31, 1990, on aids to shipbuilding. The directives contain a maximum subsidy level of 28%, subject to annual revision, of the contract price of a new building in an EEC member country. The new subsidy ceilings were adopted according to the cost-price differential between EEC member country shipbuilders and yards outside the EEC, primarily those located in the Far East. The summary of the Sixth Directive is as the follows:

(1). Aid to shipowners. All forms of aids, including credit facilities, guarantees and tax concessions to shipowner or the third parties, shall be subject to notification and monitoring by the EEC Commission;

(2). Contract-related Production Aid. The total amount of aid, including aid to production and other forms cited in the Article 2, may not exceed the common maximum ceiling;

(3). Other Operating Aids. Aid for the continued operation of shipyards, including loss compensation and rescue aid, shall also be counted

against the ceiling, where this aid is not supporting shipyard reconstruction measures;

(4). Investment Aid. Investment aid may not be used to increase shipyard or ship repair capacity;

(5). Aids For Closures. Aid for closure of shipyard is permissible if the resulting capacity reduction is irreversible;

(6). Aid For Research And Development. Basically aids for this research is related to 'industrial application and commercial exploitation of the result.

EEC 1992

The twelve-member European Community (EC), the U.K., the Netherlands, Luxembourg, Ireland, Italy, Spain, Germany, Greece, Belgium, France, Portugal and Denmark, has formally agreed to forming a single European market through non-tariff barriers in both goods and services by December 31st, 1992, when there will no longer exist physical barriers, technical barriers and fiscal barriers among EC member countries. EC expects to pass about 300 different acts by the end of 1992 in order to eliminate three main barriers to trade among EC member countries:

-physical barriers: dismantle border controls and abolish internal customs duties, resulting in major cost and time savings;

-technical barriers: unify various country-specific regulations on product standards and health and safety regulations, allowing companies to standardize production and packing;

-fiscal barriers: harmonize indirect tax rate such as different value-added and exercise tax rates in order to eliminate inter-EC customs posts. By the end of 1992, existing national

restrictions that reserve the carriage of goods to vessels flying the national flag will be phased out, along with existing bilateral cargo-sharing agreements with the third world.

According to some experts, 1992 will have a significant impact on Europe-Asia trade both eastbound and westbound. Westbound, Europe's expanding markets are drawing increasing amounts of cargo from Japan, Korea, Taiwan and Hongkong/China. Eastbound, the key issue is reciprocity. Europe is expected to be more demanding of reciprocity rights with Japan and other Asia nations.

Impacts On China's Foreign Trade And Shipping

Existing Foreign Trade Between China and EEC

From Table 3 of this paper, China's foreign trade with EEC continued to grow from the trade value of 23.9 million \$ in 1976 to that of 78.7 million \$. From Table 2, we can also see that top ten foreign trade partners were always composed of West Germany, UK, Italy and France. In 1986 the export of total China's merchandize to EEC was 12.4% of total China's merchandize's exports (see Table 20. Direction Of Export From China and Table 21 Share Of China's Export Growth Of Manufactures By Destinations).

Table 20. Direction Of Export From China (1986)

	Japan	US	EEC	Other Developed Countries	Other Developing Countries
All Merchandize Export	18.2%	17%	12%	5.2%	47.5%
Manufactured Export	9.8%	21%	12%	5.4%	51.0%

Source: UN Trade Data System Trade, Trade and Industrial Policy In The Developing Countries, World Bank.

Table 21. Share Of China's Export Growth Of Manufactures By Destinations

Year	Japan	US	EEC	Other Developed Countries	Other Developing Countries
1970-1980	12.6%	10.4%	17.6%	7.4%	51.3%
1980-1986	8.9%	31.2%	9.3%	4.1%	46.5%

Source: UN Trade Data System.

Existing Shipping Relations Between China And EEC And EEC Countries

In 1985, China and the EEC concluded the economic cooperation agreements which constitute a general framework within which specific economic sectors, such as shipping, are to be concluded. The cooperation has been successful.

Also China has concluded bilateral maritime agreements with Belgium/Luxemburg, Denmark, France, FR Germany, Greece, Italy and the Netherlands. China has good relations with these countries in the aspects of foreign trade and shipping.

Impact Of EEC 1992 On China's Trade And Shipping

It's hard to say that there will be a significant influence on China's foreign trade with the EEC after 1992 because China's exports to EEC do not constitute any threat to the EEC's internal trade and foreign trade and also China's export does not constitute a considerable part of EEC's imports. The existing trade relations with EEC and EEC members are established on the basis

of cooperation and mutual need but one thing should not be ignored that world political changes may have an impact on existing relations between China and EEC member countries.

Regarding shipping industries, the existing relations between China and individual EEC member countries would show some changes because bilateral maritime agreements between China and some of the EEC member countries will terminate in 1992 according to EEC regulations. A more integrated economic cooperation agreement between China and the EEC should be considered with future of the EEC in 1992.

7.1.2. Eastern European Countries

Changes of political and economic systems in Eastern European countries will have a deep impacts on existing foreign trade and shipping relations between China and these countries because the existing trade and shipping relations were derived from both planning systems. But now, Eastern European countries are gradually changing into the market economy. The future trend of China's foreign trade with these countries remains unpredictable. It must be born in mind that the world trade derives from the demand and supply between nations although world trade is much influenced by the political situations. It's believed that China and Eastern European countries' trade will proceed on the basis of a common understanding.

China and Eastern European countries had a friendly relations in respect to shipping. China has concluded maritime agreements with Bulgaria, Romania, and Yugoslavia and also China has signed

maritime agreements to establish joint venture shipping companies with Czechoslovakia and Poland. The cooperation between China and these countries was successful. The new economic systems adopted by the Eastern European countries bring the new problems to the joint venture shipping companies of China and the partners. In particular, the joint ventures must solve the cargo procurement problem because in the past it was done by both government arrangements according to the agreement.

7.2. Outlook For The Seaborne Trade And Shipping

According to forecasting, the overall world economic growth is expected to show in the short term but on average about 3.5 percent annually during the 1990s. In terms of liner trade, led by the growth of electronics and component goods, containerized liner traffic is expected to show growth of over 5 percent annually for the next ten years but the growth of the container fleet is expected to be about 10 percent annually. So, the surplus of container fleet will increase and the competition will be more intense. Regarding liquid bulk markets, after many years of depression, the worlds' liquid bulk shipping markets showed signs of recovering in 1988 and were moving towards to a period of profitability and success. The recent Middle East Conflicts, however, still remains unpredictable which have much influenced the world economy and shipping. In terms of dry bulk shipping markets, the five main dry bulk commodities - iron ore, grain, phosphate rock and bauxite/alumina, will have an average annual growth of about 3.2 percent in the next 10 years according to forecastings. At the

same time the capacity of the dry bulk fleet will decrease at an average annual rate of about 3 percent. In the mid 1990s, it is expected to be good prospects for dry bulk markets.

7.3. The Strategy For China's Maritime Shipping Industries

Having discussed China's maritime shipping infrastructure and China's maritime shipping policies at different stages, we can see that:

In Terms Of Maritime Shipping Infrastructure:

China has established integrated maritime industries, including merchant marine, shipbuilding, and ports and shipping services' industries during the forty years since the People's Republic of China was founded in 1949. But we must clearly understand that China's maritime infrastructure has been still not satisfying the demand for domestic and foreign shipping of China. There are still obstacles in front of the development of China's maritime shipping infrastructure. Among others, the following are important:

- .lacking in investment funds for major facilities and equipment of shipping infrastructures;
- .insufficiency in institution work;
- .lacking in investment security for foreign investors;
- .much financial and political control to the shipping enterprises by the government.

Maritime Shipping Policy

China also has an integrated maritime shipping policy, including the policy regarding institution setting, maritime agreements and short term and long term plans for developing maritime shipping industries of the nation but we can also find many things needing to be improved in respects to policy making process, the policy itself, etc. After earlier discussion the early parts, the following points have been observed:

- .lacking in the long term policy in the past;
- .lacking a studying of all aspects of considerations for the policy' implications when the policy was adopted in the past;
- .shortage of legislative maritime policy.

Strategy For China's Shipping Industries

Facing the challenging shipping world and the implications from complicated world political and economic changes, China should make her own rational strategy for her maritime shipping industries. In my opinion, the following should be considered:

(1). Strengthening Maritime Legislation

Although there is some maritime legislation in China, there are shortages of a integrated legal regimes regulating maritime shipping. Another thing is that implementing of maritime laws and regulations must be strengthened because it's no use if there are laws which are not in force;

(2). Strengthening The Macro-Control But Decreasing Government Intervention In Shipping

In the past, there has been much intervention from the government. Shipping enterprises could not be independent in their policy making and

operations which limited them to developing in a profit - orientated way;

(3). Cooperation In Shipping

For developing shipping industries, more cooperative relations among shipping institutions should be encouraged. The limitations existing in between different administrative areas and businesses should be broken;

(4). Competition In Shipping

The policy - Competition In Shipping should be emphasized and implemented. The attitudes towards the state owned enterprises, individual owned enterprises and collective business bodies should be the same under the national policy for transport;

(5). Separating Ownership From Operation

Due to historical and political reasons, most shipping enterprises belong to the government or so called public ownership. The policy regarding separating the ownership from a operation has been adopted. But I think it should be reinforced in order to give more rights to these enterprises in decision making and operating. The goals of this policy are that the government, representing the public, collects tax and profits or sells them to the private individual with the approval of the relevant bodies in the future;

(6). Strengthening The Study Of World Shipping

Shipping is the world wide service. It objectively needs to know the outside world. When policy making, research in world trade shipping needs to be strengthened;

(7). Continuing Cooperation With Foreign Countries

In the recent history of China's maritime shipping, it's proved that it's very important to

cooperate between nations in the development of shipping industries;

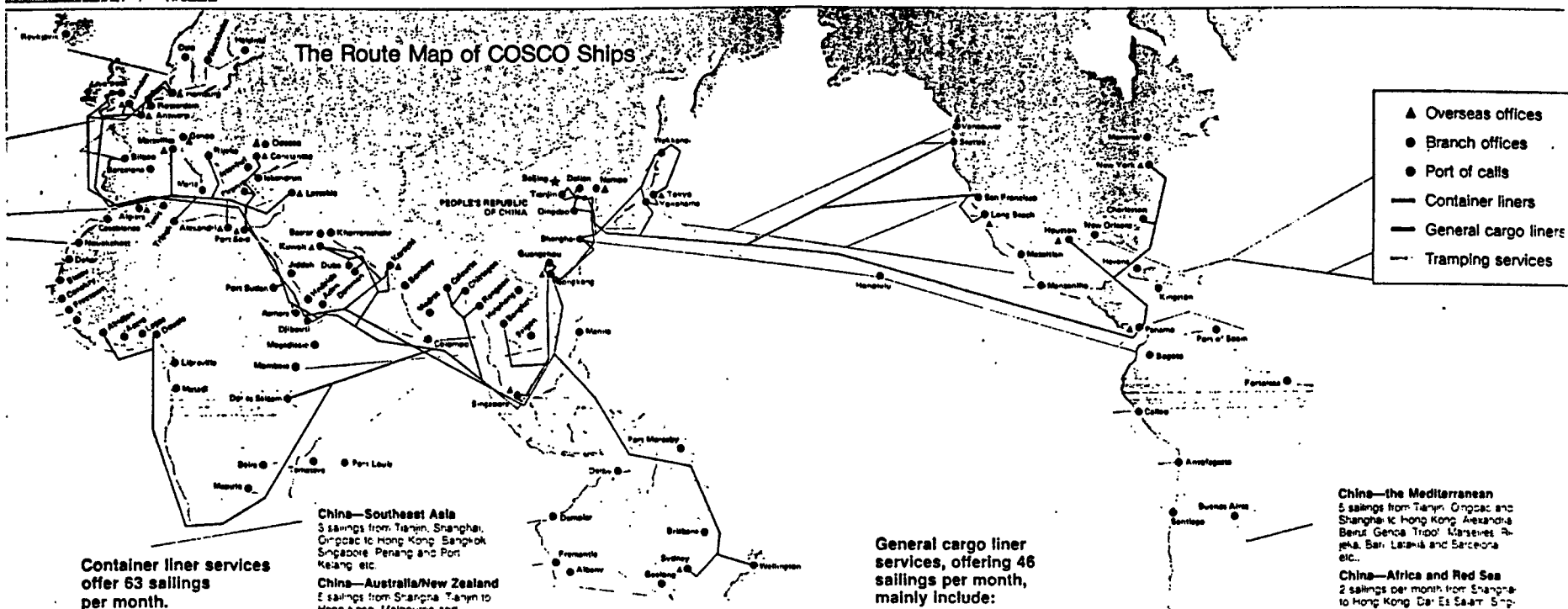
(8). Institutional Setting

Facing the challenging shipping world, more advanced and sophisticated technologies have been used in shipping. The institutions should keep pace with development of objective requirements. There should be a strategy for establishing a rational institutional framework.

APPENDIX

- 1. COSCO SERVICE**
- 2. MARITIME TRAFFIC SAFETY LAW OF THE PEOPLE'S
REPUBLIC OF CHINA**
- 3. REGULATIONS GOVERNING SUPERVISION AND CONTROL
OF FOREIGN VESSELS BY THE PEOPLE'S REPUBLIC OF
CHINA**

- Appendix 1. COSCO Service :
- 1).The Route Map Of COSCO Ships
 - 2).The Headquarters Infrastructure
 - 3).Domestic Organizations
 - 4).Overseas Offices & Joint-Ventures



Container liner services offer 63 sailings per month.

- China—Japan**
25 sailings from Dalian, Tianjin, Qingdao, Shanghai, Xiamen, Fuzhou and Huangpu to Yokohama, Kobe, Nagoya, Osaka, etc.
- China—Hong Kong Area**
14 sailings from Dalian, Tianjin, Ningpo, Qingdao, Shanghai, Zhangjiafang, Huangpu and Xiamen to Hong Kong and its vicinity.

- China—Southeast Asia**
3 sailings from Tianjin, Shanghai, Qingdao to Hong Kong, Bangkok, Singapore, Penang and Port Kelang, etc.
- China—Australia/New Zealand**
8 sailings from Shanghai, Tianjin to Hong Kong, Melbourne and Sydney, etc.
- China—Europe**
4 sailings from Dalian, Tianjin, Shanghai and Huangpu to Hong Kong, Singapore, London, Dunkirk, Hamburg, Rotterdam, Antwerp and Le Havre, etc.
- China—US**
6 sailings from Tianjin, Huangpu and Shanghai to Seattle, Vancouver,

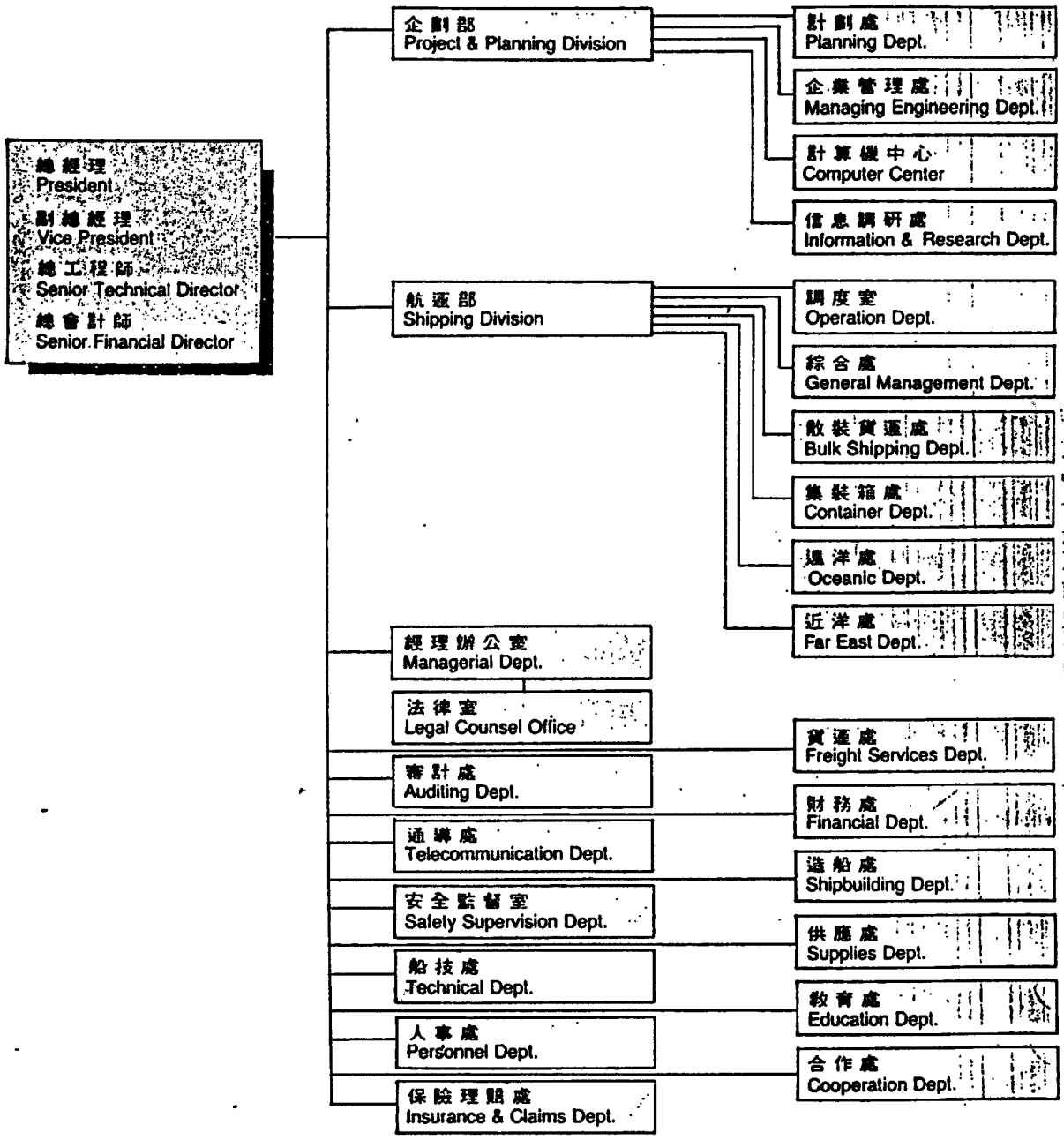
- Long Beach, New York, Charleston and Houston, etc.
- China—Persian Gulf**
2 sailings from Tianjin, Shanghai to Hong Kong, Dammam, Bangkok, Singapore, Karachi, Dubai, Kuwait.
- China—Japan passenger and cargo ferry service**
4 sailings per month from Shanghai to Osaka and Kobe.

General cargo liner services, offering 46 sailings per month, mainly include:

- China—Japan**
15 sailings from Dalian, Tianjin, Qingdao, Shanghai, Yantai, Lianyungang, Guangzhou, Xiamen, Shanghai, Fuzhou and Zhangjiafang to Yokohama, Kobe, Osaka, Nagoya and Mori, etc.
- China—Southeast Asia**
2 sailings from Tianjin, Shanghai to Singapore, Penang, Port Kelang,

- China—the Mediterranean**
5 sailings from Tianjin, Qingdao and Shanghai to Hong Kong, Alexandria, Benha, Genoa, Tripoli, Marsaxlokk, Sfax, Bari, Latakia and Barcelona, etc.
- China—Africa and Red Sea**
2 sailings per month from Shanghai to Hong Kong, Dar Es Salaam, Singapore, Mogadishu, Mombasa, Port Sudan, Djibouti and Aden, etc.
- China—Persian Gulf**
2 sailings per month from Tianjin and Shanghai to Karachi, Dubai, Kuwait and Dammam, etc.
- China—Hong Kong Area**
11 sailings per month from Tianjin, Shanghai, Dalian, Qingdao, Ningbo to Hong Kong.

總公司機構 Headquarters Infrastructure



國內機構 Domestic Organizations

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MARITIME TRAFFIC SAFETY LAW
OF
THE PEOPLE'S REPUBLIC OF CHINA

Appendix 2.

Maritime Traffic Safety Law Of
The People's Republic Of China

PART 1 GENERAL PROVISIONS

ARTICLE 1

This Law is formulated in order to exercise better control of maritime traffic, to ensure the safety of vessels, installations, property and human life and to safeguard the sovereignty and national interests of this country.

ARTICLE 2

This Law is applicable to all vessels, installations and persons navigating, berthing or carrying out operations

in the coastal waters of the People's Republic of China, and to the owners and operators of such vessels and installations.

ARTICLE 3

The Harbour Superintendency Administrations of the People's Republic of China are the competent authorities solely responsible for the supervision of the safety of traffic in the coastal waters of this country.

PART 2 SURVEY AND REGISTRATION OF VESSELS

ARTICLE 4

Vessels and their major equipment and devices for safe navigation must have valid certificates issued by vessel survey and classification organs.

ARTICLE 5

Vessels must be in possession of valid certificate of nationality or certificate of registry or license.

PART 3 MANNING OF VESSELS AND INSTALLATIONS

ARTICLE 6

Vessels should be manned with duly qualified officers and crew according to the standard of manning adequate to ensure the safety of navigation.

ARTICLE 7

All captains, chief engineers, deck officers, engineers, wireless operators, radio telephone operators and similar ranking personnel on board seaplanes or submersibles must hold their respective certificates of competency or licenses.

All other crew members must be well trained for their job.

ARTICLE 8

In accordance with the relevant regulations issued by the state, all installations must carry those with a good knowledge of collision-prevention, signalling, radio communications, fire-fighting and life-saving

operations.

ARTICLE 9

All those on board vessels or installations must observe regulations for safety of maritime traffic and follow the instructions for operation in order to ensure the safety of navigation, berthing or operation of vessels and installations.

PART 4 NAVIGATION, BERTHING OR CARRYING OUT OPERATIONS

ARTICLE 10

The relevant laws, administrative statutes and regulations promulgated by the People's Republic of China must be complied with by vessels and installations while navigating, berthing or carrying out operations.

ARTICLE 11

Non-military vessels of foreign nationality may

not enter into inland waters or ports of the People's Republic of China without the permission of its competent authorities. However, under extraordinary circumstances such as an emergency case of disease or injury of the crew members or malfunctioning of the engine or the vessel being in distress or seeking shelter against stress of weather, where it is too time-pressed to be granted entry as in normal cases, the vessel may, while so entering, make an emergency application to the competent authorities for such entry and should act as instructed.

No military vessels of foreign nationality may enter the territorial seas of the People's Republic of China without being authorized by the Government thereof.

ARTICLE 12

Foreign-going vessels entering or leaving the ports of the People's Republic of China shall be subject to inspections of the competent authorities. Home-trading vessels of Chinese nationality should have their entry or clearance papers endorsed on entering or leaving Chinese ports.

ARTICLE 13

No vessels of foreign nationality may enter or leave the ports of the People's Republic of China or navigate or shift berths in the port areas or proceed to or depart from mooring points or cargo terminals outside port areas without a pilot being sent on board by the competent authorities.

ARTICLE 14

While entering or leaving the port or passing through areas of traffic control, dense traffic or confined waters, vessels shall comply with the special regulations issued by the Government of the People's Republic of China or by the competent authorities.

ARTICLE 15

Vessels are prohibited from entering or passing through forbidden areas unless specially authorized by the competent authorities.

ARTICLE 16

Big-sized installations and mobile off-shore drill-

ing units must undergo towage inspections conducted by vessel survey and classification organs and must be approved by the competent authorities for sea towage.

ARTICLE 17

The competent authorities may cause a vessel to undergo a re-survey or instruct her owners or operators to take effective safety measures upon finding the conditions of such vessel to be inconsistent with what is stated in the vessel's certificates.

ARTICLE 18

The competent authorities may deny a vessel entry into or order its departure from the port where the presence of the vessel is considered to be a threat to the safety of the port.

ARTICLE 19

The competent authorities may prohibit a vessel or an installation from leaving the port or cause the suspension of the voyage, the change of the route or the stoppage of the operations in case of such vessel or installation being:

- (a) in violation of the relevant laws, administrative statutes or regulations promulgated by the People's Republic of China, or
- (b) unseaworthy or untowworthy, or
- (c) involved in a maritime traffic accident while not being through with the necessary procedures, or
- (d) in default of payment of any amount due to the competent authorities or the departments concerned or being unable to produce securities required, or
- (e) involved in any other event deemed by the competent authorities to be detrimental or likely to be so to the safety of maritime traffic.

PART 5 ASSURANCE OF SAFETY

ARTICLE 20

Surface and under-water projects carried out in the coastal areas and the designation of safety operation zones in connection therewith must be reported to the competent authorities for approval and announcement. Unauthorized vessels may not enter the safety operation zones, nor may any contractors of the projects take the

liberty to expand such zones.

Where in port areas a part of the shore line is to be used for surface or under-water projects or overhead operations, applications, together with supporting drawings, should be submitted to the competent authorities for review and approval.

ARTICLE 21

The designation of forbidden zones in coastal areas must be applied to and approved by the State Council or the competent authorities.

However, the designation of forbidden zones for military purposes shall be approved by the national military authorities.

The forbidden zones shall be announced by the competent authorities.

ARTICLE 22

No installations can be fixed or established nor any activities detrimental to the safety of traffic carried out in port areas, anchorages, channels, fairways, dense traffic areas or in routes designated by the competent authorities unless approved by such authorities.

With respect to any installations which have been

fixed without being authorized, the competent authorities have the right to cause such installations removed or dismantled by their owners within a definite time.

ARTICLE 23

No damage of any kind should be done to aids to navigation or navigation facilities. Should any damage be done thereto, those who caused such damage should promptly report to the competent authorities and should be liable for compensation.

ARTICLE 24

Reports should be made promptly to the competent authorities by vessels or installations upon finding,

- (a) malfunctioning or abnormality of aids to navigation or navigation facilities; or
- (b) existence of obstructions or drifting objects hampering the safety of navigation; or
- (c) other unusual circumstances affecting the safety of navigation.

ARTICLE 25

Nothing that could constitute an obstacle to and

affect the proper functioning of the aids to navigation could be built or installed in places nearby. Any lights in the vicinity of the fairway and/or the aids to navigation that could impair the safety of navigation must be properly screened.

ARTICLE 26

The removal or dismantling of installations, the salvage or clear up of shipwrecks or sunken objects and the winding-up of under-water projects should leave nothing that tends to be a threat to the safety of navigation or operation. Pending the completion and the proper winding-up of the aforesaid operations, their owners or operators should lay marks as required and should make a true report to the competent authorities about the name, shape, size, location and depth of water over the obstructions in question.

ARTICLE 27

Port wharves, mooring points and cargo terminals outside of port areas as well as locks should be well maintained for safety and kept in good condition.

ARTICLE 28

To meet the requirement of the safety of maritime traffic, the competent authorities may designate traffic control areas or anchorages or make changes thereto. The designation of anchorages outside of port areas, however, shall be announced by the competent authorities after the approval of the higher authorities.

ARTICLE 29

In accordance with the relevant national regulations, the competent authorities are solely responsible for the issuance of navigation warnings and notice to mariners.

ARTICLE 30

In order to ensure the safety of navigation, berthing and operations, the departments concerned should have their communications facilities well maintained, keep aids to navigation and navigation facilities in effective working condition and should provide meteorological forecasts, nautical charts and publications in time.

ARTICLE 31

Where an accident has happened to a vessel or an installation and the safety of maritime traffic has been or would be threatened thus, the competent authorities may take necessary compulsory actions to handle the case.

PART 6 CARRIAGE OF DANGEROUS GOODS

ARTICLE 32

Vessels or installations storing, loading, discharging or carrying dangerous goods must be provided with equipment and facilities to ensure safety and security and must observe rules and regulations governing the control and carriage of dangerous goods issued by the People's Republic of China.

ARTICLE 33

Vessels carrying dangerous goods must apply to the competent authorities for such carriage and they may not enter or leave the port or commence loading or discharging unless and until approval has been obtained.

PART 7 RESCUE AT SEA

ARTICLE 34

Vessels, installations or aircraft in distress should, besides transmitting distress signals for rescue, report as quickly as possible to the competent authorities on the time and place of the accident, extent of damage, requirement for rescue service as well as the cause of the accident.

ARTICLE 35

Vessels, installations or aircraft in distress and their owners or operators should take every effective step to engage in self-saving activities.

ARTICLE 36

Upon receiving distress signals or upon finding anyone in danger of being lost, vessels or installations in the vicinity of the scene of the accident should, insofar as they can do so without being seriously endangered, do their utmost to render every possible assistance to those in distress and should promptly

report to the competent authorities of their own name, call sign, position as well as the situation of the scene.

ARTICLE 37

Vessels or installations involved in a collision should inform each other of its name, nationality and port of registry and should do their utmost to rescue those in distress. Insofar as they can do so without being seriously endangered, the vessels involved should not leave the scene of the accident without being released.

ARTICLE 38

Upon receiving a request for rescue, the competent authorities shall immediately muster a rescue force to run to the rescue and the parties concerned and the vessels or installations near the scene must act in accordance with the overall instructions and orders of the competent authorities.

ARTICLE 39

The despatch of vessels or aircraft by foreign countries for entry into or flight over the territorial waters of the People's Republic of China for search and

rescue of vessels or persons in distress must be approved by the competent authorities.

PART 8 SALVAGE AND WRECK REMOVAL

ARTICLE 40

With respect to sunken or drifting objects affecting the safety of maritime traffic, the conservation of the channel or constituting a threat of explosion, the owners or operators thereof should salvage and remove such objects within the time limit set by the competent authorities. Failing that, the competent authorities may compel the undertaking of salvage and removal thereof and their owners or operators shall bear all the expenses incurred.

The provisions of this Article shall not prejudice the right of the owners or operators of the sunken or drifting objects to institute a claim against a third party.

ARTICLE 41

Sunken vessels or objects lying in the coastal waters of this country may not be salvaged or dismantled without the permission of the competent authorities.

PART 9 INVESTIGATION AND SETTLEMENT OF MARITIME TRAFFIC ACCIDENTS

ARTICLE 42

Any vessel or installation involved in a maritime traffic accident should submit an accident report and relevant documents and papers to the competent authorities and be subject to investigations and settlement by such authorities. Upon being investigated by the competent authorities, the parties involved in such accident and those related thereto must give a true account of the scene of the accident and of the relevant facts.

ARTICLE 43

With respect to the maritime traffic accident that has happened to a vessel or an installation, the competent authorities shall find out the causes thereof and establish the responsibilities of the parties.

PART 10 LEGAL RESPONSIBILITIES

ARTICLE 44

Judging from the extent of the violation of this Law, the competent authorities may impose one or several of the following penalties,

- (a) warning;
- (b) suspension or withdrawal of certificate of competency;
- (c) fine.

ARTICLE 45

Should the parties concerned reject the penalties as determined by the competent authorities such as imposition of fine or withdrawal of certificate of competency, they may bring an action in the People's Court within 15 days of the receipt of the notice of penalty. However, the competent authorities may request the People's Court to enforce the aforesaid penalties if no action has been brought in the People's Court, nor have the parties concerned accepted the penalties imposed, on the expiry of the aforesaid period of time.

ARTICLE 46

Civil disputes arising from maritime traffic accidents can be settled through mediation of the competent authorities. Should the parties concerned be unwilling to have the case mediated or should the mediation be unsuccessful, the parties concerned may file a suit with the People's Court. Whereas cases involving foreign interests can also be submitted to arbitration in accordance with the written agreement between the parties.

ARTICLE 47

Those whose violation of the present Law has constituted a crime shall be held liable for criminal offence by judicial organs.

PART 11 SPECIAL PROVISIONS

ARTICLE 48

In fishing ports, i. e. those essentially used for fishery, the national fishery and fishing port superin-

tendency organs perform the functions of those of the competent authorities conferred by this Law and are responsible for the supervision and control of the safety of traffic at those port areas. They should also be responsible for the investigation and settlement of traffic accidents between fishing vessels in the coastal waters of the People's Republic of China.

By-laws for the implementation of the provisions of this Article shall be separately promulgated by the State Council.

ARTICLE 49

The administration within military water areas, military ships and installations, the management of surface and under-water operations for military purposes and the survey, registration, manning and endorsement of entry and departure of public security vessels shall be separately prescribed by the relevant authorities of this country on the basis of this Law.

PART 12 APPENDIX

ARTICLE 50

For the purpose of this Law,

The term "coastal waters" means the ports along the sea coast, the inner seas and the territorial seas of the People's Republic of China and all other water areas under its jurisdiction.

The term "vessels" means all kinds of displacement or non-displacement vessels, craft, seaplanes, submersibles and mobile platforms.

The term "installations" means surface and under-water structures or installations of all kinds, whether fixed or floating, as well as fixed platforms.

The term "operations" means investigation, exploration, exploitation, survey, construction, dredging, explosion, rescue, salvage, towage, fishing, breeding, loading, discharging, scientific experiment and other surface and under-water operations.

ARTICLE 51

The ministries concerned under the State Council shall, on the basis of the present Law, draw up by-laws and regulations for the implementation of the present Law and shall submit them to the State Council for approval and enforcement.

ARTICLE 52

Statutes and regulations pertaining to safety of

maritime traffic hitherto promulgated that are inconsistent with the present Law shall be null and void, and the latter shall prevail.

ARTICLE 53

The present Law shall come into effect on the 1st of January, 1984.

REGULATIONS GOVERNING SUPERVISION
AND CONTROL OF FOREIGN VESSELS BY
THE PEOPLE'S REPUBLIC OF CHINA

ENGLISH TRANSLATION

REGULATIONS GOVERNING SUPERVISION AND CONTROL

OF

FOREIGN VESSELS BY THE PEOPLE'S REPUBLIC OF CHINA

GENERAL PROVISIONS

Article 1

These Regulations have been formulated with a view to safeguarding the sovereignty of the People's Republic of China, to maintaining traffic order in port areas and coastal waters, to ensuring safety of navigation and to preventing pollution of waters.

Article 2

These Regulations as well as all relevant laws, statutes and rules issued by the Government of the People's Republic

of China shall be complied with by all foreign vessels (hereinafter referred to as "vessels") navigating in port areas and coastal waters of the People's Republic of China. Vessels shall be subject to inspections by the Harbour Superintendency Administration set up in the port by the Government of the People's Republic of China where the latter deems such inspections necessary.

The term "coastal waters" mentioned in these Regulations means inland waters and territorial sea of the People's Republic of China as well as water areas officially defined as coming under the jurisdiction thereof.

**PART 1 ENTRY, DEPARTURE AND
NAVIGATION**

Article 3

The master or owner of a vessel shall, a week prior to its expected arrival at the port, submit the required forms to the Harbour Superintendency Administration through the vessel's port agent for completion of entry formalities, and shall report, 24 hours in advance of her arrival (or on her departure from the last port of call if the voyage takes less than 24 hours), the vessel's ETA, fore and aft drafts on arrival to the Harbour Superintendency Administration through the

port agent. Should there be any change in the ETA, same shall be reported in time.

A report shall be submitted in advance to the Harbour Superintendency Administration in case of special circumstances, such as the vessel being in distress, the engines broken down or her crew or passengers suffered from acute disease, which necessitate the vessel to make an emergent entry into or to return to the port during the voyage.

Article 4

No vessel shall enter or leave the port, or navigate or shift berths therein without a pilot being appointed by the Harbour Superintendency Administration. Matters regarding pilotage shall be dealt with according to the Regulations with respect to Sea-port Pilotage issued by the Ministry of Communications of the People's Republic of China.

Article 5

Upon arrival at the port, vessels shall immediately submit the Entry Report and other relevant forms for check-up; besides, vessels shall submit ship's papers and relevant documents for examination and be subject to inspections. Prior to leave, vessels shall submit the Departure Report and other relevant forms for clearance examination and may only leave the port after port clearance has been obtained.

Article 6

Upon arrival at the port, arms and ammunition on board are to be sealed up by the Harbour Superintendency Administration. Radio-telegraph transmitter, radio-telephone transmitter, signal rockets, flare signals and signal guns shall only be used in case of emergency, and a report shall be made to the Harbour Superintendency Administration immediately afterwards.

Article 7

Shooting, swimming, fishing, setting off of firecrackers or fireworks and other actions calculated to endanger the order and security of the port shall be prohibited.

Article 8

The Harbour Superintendency Administration is fully authorized to detain the vessel concerned, or to order the vessel to stop sailing, to change route or to return to the port under any of the following circumstances:

- (a) unseaworthiness;
- (b) violation of laws or regulations of the People's Republic of China;
- (c) involvement in marine accident;

- (d) non-payment of expenses to which the vessel is liable or failure to produce security required; or
- (e) other cases prohibiting the vessel from sailing.

Article 9

Vessels navigating in Chinese port areas and coastal waters shall not be engaged in activities endangering the national safety, rights and interests of the People's Republic of China and shall comply with regulations governing straits, waterways, routes and areas closed to navigation.

Article 10

Vessels navigating within the port areas shall not proceed at a speed liable to endanger the safety of other vessels and port installations.

Article 11

Boats (rafts) attached to vessels shall not be manoeuvred within port areas except for life-saving purposes.

Article 12

No vessel shall have its boats, derricks and gangways, etc., stretched outboard while navigating or shifting berths within port areas.

Article 13

Vessels requiring to enter any of the Chinese ports open to foreign trade for shelter or temporary stay shall apply to the Harbour Superintendency Administration for permission. Such application shall state: name of the vessel, call-sign, vessel's nationality, name of the shipping company, port of sailing, port of destination, vessel's position, speed, drafts, colour of hull and colour and mark of funnel. Such vessels shall take shelter at places designated.

Vessels requiring to take shelter or to lie at anchor temporarily at places other than any of those Chinese ports open to foreign trade shall, in addition to the above formalities, observe the following regulations:

- (a) reporting promptly to the nearest Harbour Superintendency Administration the time and position of anchoring and the time of departure;
- (b) fulfilling the requirements of local authorities concerned and submitting to their inspections, inquiries and instructions; and
- (c) no one to be allowed ashore and no cargo loaded or discharged without permission of local authorities concerned.

PART 2 BERTHING

Article 14

While berthing in port, vessels shall have on board a sufficient member of men to ensure safe manoeuvring, and, in case of emergency such as typhoon warning, etc., all hands shall return immediately aboard to take necessary precautions and urgent measures.

Article 15

Gangways for access of crew members, passengers and other persons shall be properly secured and fitted with railing or manropes. Rope ladders shall be safe and strong. Sufficient illumination shall be available at night.

Article 16

Vessels requiring to work propellers shall pay close attention to the surroundings at the stern, and shall only do so under the condition that the safety of other vessels and harbour installations has been ensured.

Article 17

While berthing in port, all exhaust valves and discharge

openings of the vessel which may give trouble to other vessels, harbour craft, the wharf or the access of persons shall be properly covered.

Article 18

No light of any vessel shall be exhibited in such a manner as to impair the safe navigation of other vessels; strong lights directed at the fairway must be properly screened.

Article 19

All vessels should be in safe and good working conditions for cargo operation as required. All cargo handling equipments should be maintained in good working order and certificate of fitness should be made available therefor.

Article 20

Vessels shall apply in advance for and obtain permission from the Harbour Superintendency Administration before carrying out the following operations:

- (a) overhauling of any boiler, main-engine, windlass, steering gear or radio-station;
- (b) trial trip or engine-test;
- (c) lowering boat (raft) for life-saving drill;
- (d) welding (except for repairing in shipyard) or work-

ing with naked light on deck; or
(e) decorating with colourful lights.

Article 21

Vessels under fumigation shall take strict safety measures and exhibit appropriate signals prescribed by the Harbour Superintendency Administration.

Article 22

In order to ensure the safety of the port and vessels, when ordered to shift berth or to sail ahead of or behind the schedule, vessels shall observe such orders as given by the Harbour Superintendency Administration.

PART 3 SIGNALS AND COMMUNICATIONS

Article 23

Vessels navigating or berthing in Chinese port areas or coastal waters shall by day hoist the national flag of the country of registry. On entering or leaving port or shifting berths, vessels shall in addition display signal-letters and relevant signals prescribed by the Harbour Superintendency Administration.

Article 24

When entering or leaving port or at anchor, vessels shall pay close attention to the call and signals of the port signal-station. When visual signals are used, the Regulations with respect to Coastal Port Signals issued by the Government of the People's Republic of China shall be complied with. Where signals are not specified by Chinese coastal ports, the International Code of Signals shall be applicable.

Article 25

Vessels shall not make sound signals at will within the port except when necessitated by safety of navigation. Vessels requiring to test whistles shall make an advance report to the Harbour Superintendency Administration.

Article 26

Vessels making use of their VHF radio-telephone in port shall comply with the Provisional Regulations Governing the Use of VHF Radio-telephone by Foreign Vessels issued by the Ministry of Communications of the People's Republic of China.

PART 4 DANGEROUS CARGOES

Article 27

Vessels carrying or handling dangerous cargoes shall

exhibit the prescribed signals, comply with the regulations relating to the carriage of dangerous cargoes and take all necessary safety measures. Cargoes of contradictory nature, in particular, must be separately stowed. It is strictly forbidden to stow explosives with ignitable materials or inflammable cargoes in the same hold.

Article 28

Vessels carrying grade I highly hazardous cargoes shall, 3 days prior to the ETA, apply to the Harbour Superintendency Administration through their port agent for endorsement, with their descriptive names, properties, packing, quantity, place of stowage stated in detail and a booklet of Description of Dangerous Materials attached, and shall not enter the port, discharge the cargoes or make transit unless permission has been obtained. Such cargoes being: explosives, highly poisonous articles, radio-active substances, compressed gases, liquefied gases, oxidizing agents, substances liable to spontaneous combustion, substances which, in contact with water, emit inflammable gases, inflammable liquids, inflammable solids, acidic corrosives, etc.

Vessels intending to carry the above-mentioned hazardous cargoes for export shall, 3 days prior to the loading thereof, apply for endorsement and shall not load until permission has been obtained.

Article 29

Vessels applying for Certificate of Safety Stowage of Export Dangerous Cargoes shall, 3 days prior to loading, submit a written application to the Harbour Superintendency Administration, stating, inter alia: descriptive names, properties, packing, quantity, place of stowage (accompanied by stowage plan), intermediate ports, port of destination, and shall load at the berths designated by the Harbour Superintendency Administration.

PART 5 FAIRWAY PROTECTION

Article 30

Vessels under way shall comply with the rules of navigation and maintain traffic order. In case of accidents involving the risk of sinking, a report shall immediately be made to the Harbour Superintendency Administration and all effective measures shall be taken to steer clear of the fairway to avoid impeding the traffic and endangering other vessels. If the vessel is sunk, a temporary signal shall promptly be marked by the parties involved at the place of the wreck.

Article 31

Salvage operations on shipwrecks or other objects in port areas or coastal waters shall be carried out in accordance with the Regulations Governing the Salvage of Shipwrecks or Sunken Objects issued by the Government of the People's Republic of China. The Harbour Superintendency Administration may, as it thinks fit, notify the owners thereof to carry out salvage and clear the fairway within a specified time, or to arrange an immediate salvage to refloat or demolish the sunken vessel or object and to clear the fairway, with all responsibilities and expenses incurred borne by the owners concerned.

Article 32

Where any sunken or floating object has been found by any vessel, a report thereon shall be made and the object salvaged handed over to the Harbour Superintendency Administration, whereupon, a reward may be given by the latter as appropriate.

Article 33

Where any vessel wishes to dispose of any refuse such

as garbage in port, it shall exhibit signals prescribed by the Harbour Superintendency Administration to request ash boats (cars).

Article 34

Fairway installations and aids to navigation shall be well cared for. Vessels causing damages thereto or to harbour constructions or other facilities shall report immediately to the Harbour Superintendency Administration and shall be held responsible for the restoration made or the expenses incurred.

PART 6 PREVENTION OF POLLUTION

Article 35

No vessel shall discharge oils, oily mixtures or other harmful pollutants or refuse within port areas and coastal waters of the People's Republic of China.

Article 36

If any ballast water, tank washings or bilge water is to be discharged from any vessel, an application shall be made to the Harbour Superintendency Administration for approval. Where a vessel has arrived from a plague-infested port,

necessary sanitary treatment should be given by the Quarantine Authorities. Dirty water and hold washings from holds where dangerous cargoes or harmful pollutants have been stowed shall only be discharged at the designated place after their having been tested by and to the satisfaction of the sanitation departments concerned.

Article 37

Oil tankers and vessels with oil as fuel shall carry the Oil Record Book on board and make appropriate entries as required.

Article 38

Where a pollution has occurred within the port area or coastal waters, the vessel at fault shall have all relative particulars entered in the Oil Record Book and the Deck Log, and shall have the matter immediately reported to the Harbour Superintendency Administration. Meanwhile, all effective measures shall be taken to prevent the oil from spreading. Where any chemicals should be applied, an application together with a description of their compositions and properties shall be sent to the Harbour Superintendency Administration for approval.

Article 39

Matters not provided for in this part shall be dealt with

in accordance with the regulations relating to the prevention of pollution of marine environment issued by the Government of the People's Republic of China.

PART 7 FIRE-FIGHTING AND SALVAGE

Article 40

Smoking or making naked fire in the hold or elsewhere liable to cause fire hazard to the vessels is strictly prohibited.

Article 41

Vessels bunkering oil or oil-tankers handling cargo oil shall take strict fire prevention measures for safety.

Article 42

While welding in port, vessels shall clean up the surroundings beforehand, take strict precautionary measures, be provided with fire-fighting apparatus and examine the worksite before and after the operation. No welding can be done inside or near oil compartments, unless and until all the oil has been emptied, oil residues cleared out, the compartments sufficiently ventilated, the inflammable gases expelled, and a certificate of fitness obtained.

Article 43

Should any vessel be involved in a fire hazard or marine casualties, an immediate report shall be made to the Harbour Superintendency Administration. Such report must contain ship's position, tonnage, drafts, cargo on board, damages suffered and assistance required.

Article 44

Where necessary, the Harbour Superintendency Administration may order and direct any vessel in port or in coastal waters to rescue the vessel in distress. The vessel so ordered and directed is obliged to do its utmost to render every possible assistance as long as its own safety will not be endangered.

Article 45

As soon as the officers from the Harbour Superintendency Administration or the salvage departments concerned have arrived, the master of the vessel in distress shall report the accident occurred and measures taken so far, provide all information and facilities required and make suggestions with regard to the salvage as appropriate. All decisions taken by the Harbour Superintendency Administration for maintaining safety and order shall be complied with by all parties concerned.

PART 8 MARINE ACCIDENTS

Article 46

Should any vessel be involved in marine accident, the master shall give the Harbour Superintendency Administration a summarized report by telegram or radio-telephone soonest possible. In case the accident has occurred outside of port areas, the master shall, within 48 hours of the vessel's arrival at the first port of call, submit a marine accident report to the Harbour Superintendency Administration. Such report shall be submitted within 24 hours of the accident if the same has happened in port.

Article 47

Should any vessel be involved in marine accident causing death of or injury to persons or damages to properties in port areas or coastal waters of the People's Republic of China, the master of the vessel at fault shall render every possible assistance to the ship and persons in distress, make timely report to the Harbour Superintendency Administration and be prepared for investigation and settlement. Should the party at fault refrain from rendering any assistance in spite of the imminent danger or flee into hiding, severe punishment will be imposed.

Article 48

Should death happen to any person on board, an immediate report thereof shall be sent to the Harbour Superintendency Administration. Where any damage or death has caused to the port or its persons through the fault of the ship, or vice versa, the spot should be kept untouched and timely reports should be given to the Harbour Superintendency Administration by both parties. In case of dispute, either party may resort to the Harbour Superintendency Administration for investigation and settlement. Matters involving penal proceedings shall be dealt with by judicial organs of the People's Republic of China.

Article 49

Matters not provided for in this part shall be dealt with in accordance with the Regulations Governing Investigation and Settlement of Marine Accidents promulgated by the Ministry of Communications of the People's Republic of China.

PART 9 PENALTIES FOR VIOLATION OF REGULATIONS

Article 50

Vessels violating these Regulations and all relevant laws,

statutes and rules issued by the Government of the People's Republic of China shall, according to the seriousness of the case, be warned or fined by the Harbour Superintendency Administration. All offences of vicious or serious nature shall be handed over to the judicial organs.

Article 51

Any offender not yielding to the conclusions made by the Harbour Superintendency Administration may, within 15 days of the receipt thereof, appeal to the Bureau of Harbour Superintendency of the People's Republic of China. The above said conclusions, however, shall remain valid before its being modified.

PART 10 SUPPLEMENTARY PROVISIONS

Article 52

Matters concerning prevention of collisions not provided for in these Regulations and relevant rules and regulations issued by the Government of the People's Republic of China shall be dealt with in accordance with the International Regulations for Preventing Collisions at Sea accepted by the Government of the People's Republic of China.

Article 53

These Regulations shall become effective upon the approval by the State Council of the People's Republic of China. The Regulations Governing Entry and Departure of Foreign Vessels Into and From Ports of the People's Republic of China promulgated by the Ministry of Communications of the People's Republic of China on the 12th of March, 1957 shall at the same time be repealed.

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