

# *The Current Situation and Challenges for the Upgrading of Ports in the Bohai Sea Rim Region of China*

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## **Summary**

The Chinese government announced the "National Plan for Coastal Port Layout" in September 2006. Its aim was the construction of a rational transportation system specializing in coal, oil, mineral ores, and containers, and the strengthening of the orderly development of ports and national management systems.

It organizes ports into five clusters nationally, indicates the core ports, and lays out eight transportation systems. Namely, the five port clusters of: 1) the Bohai Sea Rim; 2) the Yangtze River Delta; 3) the Southeast Coast; 4) the Pearl River Delta; and 5) the Southwest Coast; and the ordering of the eight transportation systems of: coal, oil, iron ore, containers, food, automobiles, ferries, and passenger ships.

Nine ports of the seventeen which have cargo volumes exceeding 100 million tons are concentrated in the Bohai Sea Rim region. This is because the volumes of iron ore and coal handled are large. The three major ports of Tianjin, Qingdao and Dalian prioritized the development of lucrative container terminals, and then expanded the development of deepwater port facilities, such as wharves for mineral ores.

After the change to the Hu Jintao and Wen Jiabao administration, expectations built up for the revitalization of Huabei [North China] and the Northeast. From 2003, first Dalian, followed by Tianjin, raised the construction of an "international shipping center" as a plank of regional economic development and port revitalization. For the construction plan, which is the construction of an International Maritime Logistics Center equipped with modern distribution (logistics) and financial and commercial functions, the approval of the State Council is necessary. Qingdao also, which had fallen behind in political influence, obtained consent in 2011 for the construction of an "international shipping center." The model which the three ports envisaged was the strategy of the "Shanghai International Shipping Center" of the Port of Shanghai, developed into the world's number one container port.

With post-WTO-accession China becoming the world's factory, its demand for construction materials surged, and the import of iron ore rose sharply. The world's largest iron-ore company, Vale, has planned transportation from Brazil to China, operating thirty-five 400,000-ton ore carriers. Dalian and Qingdao which have deepwater facilities available have become candidate ports, and both ports have constructed wharves for 300,000-400,000 tons of minerals. Although the container terminal development planning has been scaled back due to the Lehman shock and Europe's economic instability, expectations have shifted to the activation of the iron-ore wharves.

In December 2011 a Vale 400,000-ton ore carrier entered the Port of Dalian. Fearing a market monopoly, the opposition of the China Shipowners' Association heightened, and in January 2012 an order to ban entry to ports was issued.

Among the ports of the Bohai Sea Rim region, competition between Dalian and Yingkou is becoming conspicuous, while for Tianjin a notable competition with the ports of Hebei Province has begun to grow. Large-scale development is in progress at each port, but there is also the possibility of excess capacity. It is presumed that state-level coordination will become necessary.

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