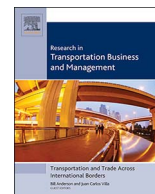




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Recent development of Chinese port cooperation strategies

Weiwei Huo^a, Wei Zhang^{b,*}, Peggy Shu-Ling Chen^b^a Yancheng Teachers University, Research Institute of Jiangsu Coastal Development, Yancheng, China^b Department of Maritime and Logistics Management, National Centre for Ports and Shipping, Australian Maritime College, University of Tasmania, Launceston, Australia

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ABSTRACT

The Chinese governments have worked out numbers of schemes at national or provincial levels to encourage port cooperation. The new geo-economic policy the Belt and Road Initiative brings new opportunities and challenges for port cooperation and development in China and the regions along the Belt and Road. This paper analyses port collaboration strategy adopted and implemented in China. It identifies the evolution of domestic port cooperation in China and the modes of international port cooperation of China. The paper concludes the trend of domestic port cooperation is towards the provincial port group. It also draws the insightful conclusion that the majority of international port cooperation cases of China happened along the Belt and Road after the year 2013. This paper proposes the implications with regard to the dynamic port cooperation development for Chinese ports and terminal operators. In theory, the research enriches the current studies by discussing the recent development systematically on port cooperation incentives and trend in China, as well as the modes of China's international port cooperation strategy. In practice, it draws implications on the performance evaluation and risks associated with Chinese port cooperation strategies.

1. Introduction

With the Open Door Policy, China experienced a rapid, significant and sustained growth in GDP, foreign investments and international trade since the late 1980s. Demand for port services in China, therefore, has been significantly increased (Notteboom & Yang, 2017; Song, 2002; Wang, Ducruet, & Wang, 2015). In order to cope with the increased demand, numerous Chinese ports in all coastal provinces were encouraged to initiate the construction and expansion along with the decentralisation of port governance in China (Cullinane & Wang, 2007; Notteboom & Yang, 2017; Xu & Chin, 2012; Zhuang & Song, 2017). Consequently, it led to increasingly intensified competition between ports, port overcapacity and underutilisation of port facilities (Cullinane & Wang, 2007; Drewry, 2014; Notteboom & Yang, 2017). In order to reduce the potential adverse effects from port competition, the national and provincial governments have drawn their attentions to port cooperation. They have worked out a number of schemes at national or provincial levels aiming for the avoidance of facility duplication, fierce competition and overcapacity in Chinese port systems. Hence, a wide range of port cooperation cases have been observed in China over the past decade (Wang et al., 2015).

The economic environment has changed greatly since the financial and economic crisis in late 2008, with global and national economic slowdown and economic structural changes. The economic change has

led to a slowdown in growth of port freight volumes (Notteboom & Yang, 2017). Governments and port operators have attempted to initiate various strategies to enhance the sustainable growth, such as collaborating with other ports in particular competitive ports. Chinese Government's new geo-economic policy Belt and Road Initiative brings new opportunities and challenges for port cooperation and development in China and the regions along the Belt and Road.

Against the background above, this paper analyses port collaboration strategy adopted and implemented in China. It identifies the evolution of domestic port cooperation in China and the modes of international port cooperation of China. This paper is organised as follows. Following the introduction section, this paper conducts the literature review on types of port cooperation and current port cooperation in China. Section 3 discusses domestic port cooperation in China including national and provincial government policies for driving port cooperation and the recent trend in cooperation. Section 4 elaborates international cooperation of Chinese ports and terminal operators by analysing the collated cases. Section 5 draws the conclusion and the managerial implications of collaboration for Chinese ports and terminal operators.

2. Literature review

It is a growing area in academic research focusing on port cooperation. This section reviews relevant studies on types of port

* Corresponding author at: Swanson Building, Room F97, Locked bag: 1397, Maritime Way, Newnham, Launceston, TAS 7250, Australia.
E-mail address: vera.zhang@utas.edu.au (W. Zhang).

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cooperation and China's port cooperation from both China's domestic perspective and its international perspective.

2.1. Types of port cooperation

According to the Oxford dictionaries, the concept of cooperation is “the action or process of working together to the same end”. Types of port cooperation are observed as being significantly diverse. They differ not only between involvement of port authorities and terminal operators but also between port functions and port locations. In addition, cooperative means vary from joint venture, merger or acquisition to strategic alliance (De Souza Junior, Beresford, & Pettit, 2003; Notteboom & Winkelmans, 2001; Wang et al., 2015).

The basic types of cooperation are horizontal cooperation and vertical cooperation. For the vertical cooperation, it can be divided into upstream and downstream cooperation (Amber Coast Logistics, 2012; Stonehouse & Campbell, 2004). Numerous ports and terminal operators have actively sought the vertical and horizontal cooperation measures for mutual benefits (Hoshino, 2010; Notteboom, 2002). Brooks, McCalla, Palla, and Van der Lugt (2010) define and elaborate the differences between horizontal and vertical strategies for ports through cooperating with each other to serve shippers and shipping lines and coordinating with other supply chain actors to provide better service respectively. In their opinion, port cooperation is the horizontal cooperation between different ports. They also present the formal and informal port cooperation, including marketing and business development, operations, administrative aspect and regulatory area. Considering the research objectives, this paper adopts the definition of port cooperation raised by Brooks et al. (2010). As such, the research focuses on the port horizontal cooperation conducted by Chinese ports and terminal operators.

From the perspective of port operators and port authorities, port cooperation includes intra-port cooperation and inter-port cooperation (Li & Oh, 2010). At the port operator level, it includes both intra-port cooperation and inter-port cooperation. The former is the co-operation of terminal operators within a port. The latter is the co-operation of terminal operators among different ports. In many cases, the intra-port co-operation and the inter-port cooperation are accomplished by the same terminal operator. For example, the cooperation of Hong Kong and Shenzhen ports is both within and among the ports accomplished by the same terminal operator (Song, 2002). Terminal operators tend to enhance the competitiveness and expand the market power through investments, such as joint venture. At the port authority level, the port cooperation refers to the inter-port cooperation which is the co-operation among port authorities. For example, Copenhagen and Malmö ports merged into Copenhagen Malmö Port (Fiedler & Flitsch, 2016).

Hwang and Chiang (2010) present two types of port cooperation, i.e. complementary cooperation (Yap & Lam, 2006) and competition (Song, 2003), based on game theory. Fiedler and Flitsch (2016) classify port cooperation into five categories, i.e. Memorandum of Understanding (MoU), competition of ports in proximity, port integration, cooperation between seaports and inland ports and hub port cooperation. The most popular and basic cooperative commitment between individual ports is a signed MoU. Cooperation between competing ports in proximity is referred as competition (Song, 2003). Port integration is the closest cooperation form, coming along with the establishment of joint venture companies between port authorities and terminal operators. Cooperation between seaports and inland ports enlarges the hinterland region of the seaport to and from the customer. Hub port cooperation accommodates close business relationships between liner carriers and terminal operators, commonly in container transport.

2.2. Research of port cooperation in China

Port integration and cooperation has become a hot topic in China in the background of slower economic growth, increased competition,

port overcapacity and growing international opportunities (Notteboom & Yang, 2017). There is a trend in increasing academic research focusing on port integration and cooperation in China. Currently, most research focuses on the regional port cooperation between ports in proximity. Song (2002) examines the competition and co-operation of the container ports in proximity from a strategic perspective in Hong Kong and South China. The competition and cooperation between Shanghai port and Ningbo-Zhoushan port has attracted the most attention in academia (Cullinane, Teng, & Wang, 2005; Fu & Chen, 2012; Li & Oh, 2010; Wang, 2007; Zhuang, 2005; Zhuang & Song, 2017). However, there are very few systematic studies on the nationwide port cooperation in China. The limited existing literature is reviewed and analysed in this section from the perspectives of both the China's domestic level and the international level.

At the domestic level, Wang et al. (2015) conduct the detailed analysis on the temporal pathways of port integration in China, considering the time and modes of the port integration among 44 seaports and river ports. Then it emphasises the characteristics, modes and factors of port integration. Based on the port integration mechanism, a port integration is divided into four categories, i.e. government-driven, market-driven, government/market-driven and strategic alliance. Based on spatial categories, a port integration is divided into five categories, namely integration of ports internal, jurisdictional ports, ports across neighbouring region, regional ports and hub-feeder ports. They also identify several driving factors for port integration in China, such as governmental regulation and spatial planning, optimisation of shoreline resources and port function, and port competition for the same hinterland. Notteboom and Yang (2017) refer to key policy documents that advocate port cooperation and integration. The raised issues are largely consist with the driving factors of port integration identified by Wang et al. (2015).

At the international level, Notteboom and Yang (2017) claim that the international expansion of Chinese terminal operators is strongly embedded within the Chinese geo-political and geo-economic policies. They provide some cases about the international expansion of Chinese port-related companies, such as China Merchants Holdings International (CMHI), COSCO Pacific and several individual ports. Zhao, Wang, and Zhou (2016) conduct studies on the port cooperation mechanism in the context of the Maritime Silk Road initiative. They put forward the current situation and existing problems in the process of port cooperation along the Maritime Silk Road through analysing the content and modes of port cooperation. They also propose the associated policy suggestions for establishing the port cooperation mechanism.

To summarise, very limited existing studies focus on empirical cases of international port cooperation, especially from the timeline or spatio-temporal path perspective. In addition, there is insufficient research focusing on nationwide port cooperation activities in China, particularly in the context of emerging port mergers and investments promoted by the Belt and Road Initiative. As such, this paper discusses both the trend and strategies of port cooperation in China and the international port cooperation of China. It especially focuses on the cooperation modes and entities from the timeline and spatio-temporal path perspectives. Theoretically, this research enriches the current literature on port cooperation. Practically, it highlights the involved managerial implications in terms of the domestic and international port cooperation strategies, which provide references to policy makers and industrial practitioners both in China and around the world.

3. Domestic port cooperation in China

This section discusses the status of port competition of Chinese ports and its current trend of domestic port cooperation. Prior to the discussion, this section addresses the evolution of port governance in China from 1979, since port governance has significant impact on port competition and strategies.

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