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Research on the container shipping alliance and its influences on Chinese shipping enterprises

By

ZHANG HAOLIN

China

A research paper submitted to the World Maritime University in partial
Fulfilment of the requirements for the award of the degree of

MASTER OF SCIENCE

2015

Declaration

I certify that all the material in this research paper that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

(Signature) : _____

(Date) : _____

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Abstract

Explore the development history of the container shipping alliance , analysis of the current situation of the international container shipping alliances and the advantages and disadvantages of the container shipping alliances, and on this basis, according to the actual situation of Chinese container shipping enterprise ,proposing the coping strategies to shipping enterprises in our country.

Keyword : container shipping alliance advantage and disadvantage
Chinese shipping enterprises coping strategies

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1 Introduction

1.1 Background of this research

The subject of the graduation project I choose is the development of the international container shipping alliance and the strategies which shipping enterprises in China should take to deal with the shipping alliance". Selecting this topic, it is because after a year of learning in ITL and my own understanding through the Internet, I had shown a great interest on shipping alliance, and with some big shipping alliance emerging such as 2M,P3,O3,it seems to indicate that in this tough period of the shipping industry ,shipping alliance has become a lifeline for the major international shipping companies to seek breakthrough.

There for all to see the strategic alliance between international shipping enterprise is currently producing the positive effect and deeply influencing the shipping market . When our Chinese shipping enterprises making the international shipping decisions, is bound to face this trend and make our own choices. Because of this, further research and understand the history of the development of the international container shipping alliance, the positive effect and limitations and other important issues, and put forward some Suggestions and strategies for our country's shipping companies with regard of the international and domestic situation .I think this would have great theoretical and practical significance for shipping enterprises of our country in making the strategic choice of international operation and their long-term development .

1.2 Literature Review

So far, several large international shipping alliances, such as 2M, O3, and CKYHE, have been formed in the shipping industry. As competition becomes more intense in the shipping industry, shipping enterprises cooperate with one another to establish shipping alliances on the basis of different divisions of labor and services. This has already become an inevitable development trend around the world. The rising of shipping alliances drives forward the researches on the subject. An increasing number of people start to pay attention to the influences of shipping alliances on the shipping enterprises and the shipping market. As a result, I intend to achieve a comprehensive understanding of the development of shipping alliances by taking advantage of this graduation project. In addition, based on reading and analyzing various data and documents, I will put forward some suggestions and strategies for Chinese shipping enterprises for them to cope with the booming development of the shipping alliances. After careful and comprehensive search in databases such as TONGFANG KNOWLEDGE NETWORK, WANFANG DATA, the electronic library of the university, and so on, and comparing with the existing references, a total of more than 100 related articles of shipping alliances has been obtained, including both Chinese and English literature. This paper aims to have a complete understanding of the developing history of the international shipping alliances, including analysis of the advantages and disadvantages, and thus propose appropriate development strategies for Chinese shipping enterprises to develop in the face of the global shipping alliances. Literature resources: (1) Journals. Statistics show that 27 domestic journals and 29 international journals have published articles related to shipping alliance. The journal that publishes the largest number of articles related to shipping alliance among the international ones is *Maritime Policy & Management*, totaling approximately 30%. The other articles are mostly published on

journals of the communication and transportation industries. In China, almost 60% of the research articles of shipping alliances are included in the water transportation journals. Other journals covering subjects such as communication, transportation, mathematics, and comprehensive science and technology, also published articles related to shipping alliance. (2) Authors. Chinese researchers take up the majority among the foreign literature I have collected. For now, Chinese mainland institutions that conduct studies on the shipping alliance are mainly maritime universities, represented by Shanghai Maritime University and Dalian Maritime University, both of which have published over a half of the total research papers in China. Qingdao Ocean Shipping Mariners College and Navigation College of Jimei University also publish some papers from time to time. (3) Year of publication. The research status in China regarding the subject of shipping alliance fluctuates evidently. Before 2002, there were few papers on this subject. In the year of 2002, HANJIN took over German Senator Lines, and established CHYK Alliance with COSCO, which boasted the strongest shipping capacity in the world. This stirred up a trend of researching on the shipping alliances. In September 2006, the EU Council passed the resolution of abolishing antitrust exemption of the liner conference, which marked that liner conference would gradually fade out in the world. The shipping alliance would replace the liner conference and become the primary cooperation mode between liners. This pushed forward the researches on the shipping alliances again. An increasing number of researchers around the world come back to the research field of the international shipping alliances. As with the outbreak of the financial crisis in 2008, the shipping industry was hit severely. The entire shipping industry was depressed and inactive for a relatively long period. Correspondingly, related researches on shipping alliance suspended temporarily. However, with slow recovery of the shipping industry, it showed an obvious rising trend of conducting researches

on the shipping alliances. The basic trend both in China and foreign countries is consistent, but the latter shows a smooth, evident wavelike increases. In particular, after the financial crisis, the number of publications between 2009 and 2012 took up 50% of the total publications. This indicated that shipping alliances were drawing more and more attention from the public. In addition, between 2012 and 2015, shipping alliances have developed prosperously. International shipping tycoons have consecutively established their own shipping alliances.

2 Emergence and Development of Container Shipping Alliance

2.1 Primary reasons behind the emergence and development of strategic alliance in the international shipping industry

At present, strategic alliances in the international container liner shipping industry is no doubt developing at the fastest speed with the most mature and representative characteristics. The emergence and development of the strategic alliances in the international container liner shipping industry are not only pushed forward by the global economic growth and trading advancement from the objective perspective, but also the inevitable results of the international shipping industry in adapting to the international shipping market changes. The primary reasons include:

(1) After the 1980s, the liner conference system was weakened gradually owing to the challenges from the independent carriers who were not members of the liner conference, as well as the intensified legislations of many countries. The original liner conference members had to seek larger and broader cooperation — that is shipping alliance, so as to obtain and retain their competitive edges.

(2) For most shipping companies, it is difficult for a single company to provide global shipping services independently. Only through joint operations with other companies can they provide broader and more frequent ship route transportation services to the customers, and thus achieve the economy of scale, lower unit cost, and reduce investment and operational risks.

(3) In order to provide broader and more frequent shipping services, shipping enterprises must be able to operate in a stronger manner. Through alliance, shipping

enterprises can share resources, especially the valuable resources that they lack, such as expertise, dock facilities, and marketing service network, to name but a few.

(4) Through joining in or making up shipping alliances, the alliance members are able to enter the traditional market fields of each other, and thus increase their own market share, and provide global shipping services for satisfying the market demand. Only by doing so can they consolidate the position of enterprises in the global shipping market. For example, after joining in the global alliance, MOL added an eastwards weekly route across the Pacific.

2.2 Development of container shipping alliance

The predecessor of the international shipping alliance is the liner conference. The earliest liner conference was founded in 1875. Later, it moved towards disintegration as it could not make timely responses to the business environment due to its monopoly and inflexible system. Its collapse can also be attributed to the development of container transportation. Since the 1990s, the imbalance between supply and demand in the international liner shipping industry has become increasingly serious. The global shipping market entered into an unprecedentedly difficult period. Although various liner companies strived to increase investment and enhance cooperation on line allocation, price policy, and service level, etc., practices showed that an individual company could not realize sustainable development, because it could not maintain lower transportation costs while achieving high service quality. Therefore, the primary liner companies in the world started to create joint ventures on a large scale. Liner companies normally realize joint operation through shipping space (container) mutual agreement and dock sharing, etc. with a view to increasing docks of call and expand logistics service range. Since 1995, shipping alliance has become the primary trend in the global shipping market. During the six

years until 2001, there were several rounds of reorganizations between the international shipping alliances one after another. The top five international shipping alliances controlled over 80% supplies of goods on the main east-west lines. Their members are basically comprised of the top 20 liner companies. Global joint operations of liner companies will not only improve the service quality, but also achieve enormous economic benefits. The six international shipping alliances in 2001 were New World Alliance (APL, HMM, MOL), Grand Alliance (Hapag-Lloyd, Malaysia International Shipping, NYK, OOIL, P&O Nedlloyd), MAERSK SEALAND, CKY (COSCO, K-LINE, YML), United Alliance (CHOYANG, HANJIN, SENATOR, UASC), and EVERGREEN GROUP. The alliance members achieved success in line allocation, resource optimization, and cost adjustment, etc. through joint dispatching of liners and mutual rent of shipping spaces. This has brought strong impact to the original shipping system and undermined the liner conference to its foundations. So far, some new large-scale container liner shipping alliances have emerged one by one, like CKYHE, 2M, and O3.

2.3 Development history of primary alliances

The beginning (1994-1995): APL, Nedlloyd, Oriental Bay, MOL, Malaysia International jointly established Global Alliance. MSK and SEALAND constituted MSK SEALAND Alliance. Hapag-Lloyd, NOL, NYK, P&O CONTAINERS made up the Grand Alliance. Hanjin, German Senator, CHOYANG established the United Alliance. K-LINE, COSCO, and YML formed CKY Alliance.

The first integration (1998-1999): Nedlloyd and P&O merged and founded P&O Nedlloyd. NOL bought APL, while the container business was operated by APL brand. HANJIN acquired German Senator. As a result, the alliances reorganized as follows: Global Alliance dissolved, while MOL, HMM, and the new APL constituted the New World Alliance. Hapag-Lloyd, Malaysia International, NYK,

OOIL (originally the member of Global Alliance), and P&O Nedlloyd constituted the new Grand Alliance. MSK bought SEALAND and changed the alliance into an individual company. Other alliances stayed the same.

The second integration (around 2002): CKY Alliance actively cooperated with HANJIN and formed CKHY Alliance.

The third integration (around 2006): MSK acquired P&O Nedlloyd. This eventually consolidated its dominant position in the industry. It occupied over 20% of the shipping capacity in the world. The second one is MSC, which only takes up 8.1%.

The fourth integration (2011-2012): Grand Alliance worked together with New World Alliance to form G6 Alliance. MSC and CMA formed CMA-MSK Alliance. EVERGREEN stopped insisting on its policy of independent operation, and actively cooperated with CKHY, and formed CKHY-Green Alliance.

The fifth integration (2013-2014): MSK, MSC, and CMA intended to form P3 Alliance, but the proposal was rejected by the Chinese government. Then, the top two liners, MSK and MSC, jointly formed 2M Alliance. After that, China Shipping joined in the shipping alliance — O3 Alliance with CMA and UASC for the first time.

Table 1. The development history of the international shipping alliances in the recent years:

Time	Key words	Event
Sept. 8 th , 2014	Establishment of O3 Alliance	CSCCL, CMA, and UASC signed the cooperation agreement, named Ocean 3, abbreviated as O3. The three liner companies would conduct cooperation, including joint vessel arrangement, interchange of shipping spaces, and procurement of shipping spaces, etc., across the three main east-west lines of Asia-Europe, Pacific Rim, and Asia-Mediterranean (Black Sea, Adriatic Sea).
June 10 th , 2014	Establishment of 2M Alliance	MSK announced that it would sign the Vessel Sharing Agreement (10 years) with MSC, the second largest shipping company in the world, regarding the lines across the Asia-Europe, Pacific, and Atlantic. The Agreement was called 2M. It would replace all the existing vessel sharing agreements and shipping space procurement agreements on these routes of MSK.

June 17 th , 2014	Dissolution of P3 Alliance	The Ministry of Commerce declared that P3 Alliance, the concentration of undertakings, must be prohibited according to the Antitrust Law of PRC, after half year audit. P3 Alliance Plan finally declared abortion.
March 1 st , 2014	Establishment of CKYHE	Evergreen joined in COSCO, K-LINE, YML, and Hanjin to form CKYHE Alliance. The alliance only covered lines in Asia, Europe and Mediterranean. CKYHE Alliance would jointly operate six Asia-Northern Europe lines and four Asia-Mediterranean lines from mid April.
June 18 th , 2013	Establishment of P3 Alliance	Members: MSK, MSC, CMA; the largest liner shipping alliance in the world.
Dec. 20 th , 2011	Establishment of G6 Alliance	Grand Alliance and New World Alliance declared merger and established Far East-European Alliance (G6 Alliance). The new alliance was expected to operate in April 2012. It has seven Asia-Europe lines and two Asia-Polar lines, including the direct line to the Far East Baltic by calling of ports in Gdansk (Poland) and Goteborg (Sweden), as well as the transfer service in Singapore.
Nov. 2011	Malaysia Shipping retreated from Grand Alliance.	The other three members—NYK, Hapag-Lloyd and OOIL retreated from the Alliance. Later, because of severe losses, it declared closing of unprofitable liner transportation in Feb. 2012. Sixteen container ships were sold within six months.

2-1

Figure 1. The world's four largest container shipping alliances



2-2

3 Advantages and Disadvantages of Container Shipping Alliance

3.1 Nature, characteristics, and types of the strategic alliances in the international shipping industry

The international container liner shipping alliance is a consortium formed by two or more container liner shipping companies or company groups. The alliance members wish to learn or gain resources advantages from the partners that are not possessed by the competitors, technical know-how, skills, shipping market information, management experience and knowledge, market share, customers, and transportation facilities, and so on. Then, the alliance members can improve their competitive edges, expand operation scope, and adapt to the new demands for container liner shipping by the economic globalization. The strategic alliance in the international container liner shipping industry is essentially a cooperative agreement that allows container liner companies or groups to depend on each other and satisfy mutual demands.

At present, the top model of strategic alliance in the international container liner shipping industry is global shipping alliance. In general, the primary feature of global shipping alliance is that cooperation is conducted across multiple lines over a broad range, especially cooperation on the three primary lines. It also includes extensive strategic cooperation between industrial departments on the land. This is the key difference that distinguishes it from a preliminary alliance.

In accordance with the economic features of the international container liner shipping market, and the content and essence of the international container liner

shipping alliance, the author thinks that the strategic alliances in the international container liner shipping industry have the following characteristics:

(1) A shipping alliance in the shipping industry falls to the category of oligopoly alliance. The strategic alliance in the international container liner shipping industry has the market features of oligopoly alliance. The reasons are as follows: firstly, the international container shipping market belongs to the liner market whose type is oligopoly. The top priority of a shipping alliance is to fight for and control its market share. Secondly, the current shipping alliance members are also members of the liner conference. Therefore, the primary companies in the liner conference will belong to several representative global alliances separately. This seems to indicate that the international shipping alliance is the extension and development of an oligarchic liner conference.

(2) A shipping alliance in the shipping industry is a strategic alliance. It is a strategic decision for the international shipping companies to participate in and form international container liner shipping alliance for the sake of future development. For example, MOL set its strategic goal of becoming a global carrier and carrying out diversified operations since the mid 90s. And then, it made the strategic decision of forming the Global Alliance with the other four liner companies based on its strength and the shipping market situation.

(3) A shipping alliance in the shipping industry is an international alliance. Shipping alliance members are international shipping companies that are specialized in providing transportation services through the global trading lines. A shipping alliance (especially the global alliance) provides container transportation services that cover the three main lines in the world, or at least regional lines.

(4) The relationship between international shipping alliance members represented as mutual dependence and interrelated demand.

(5) A shipping alliance is temporary, flexible, and complex. On the one hand, as an international shipping alliance is founded on the basis of mutual demand and dependence among the members, once such demand and dependence do not exist, the alliance will come to its end. In addition, because the alliance agreement has loose binding force, the establishment and dissolution of the alliance are relatively easy. For example, after NOL acquired APL, the Global Alliance dissolved and the New World Alliance emerged. On the other hand, when one member or several members think that the current cooperative relationships cannot realize a higher operational strategic goal, they will look for other types of alliance. For instance, the original MSK-LANDSEA Alliance dissolved because MSK spent heavily on acquiring LANDSEA.

The operational management and internal coordination of the international shipping alliance are made complicated by the contradictions between such three factors: pursuit for long-term cooperation, strong independence between alliance members and their own profit target.

According to the cooperation content of the shipping alliances, they can be divided into preliminary alliances and complete alliances. Preliminary alliance is only a cooperative agreement of mutual rent of shipping spaces between the alliance members, without involving other aspects, for example, COSCO/KAWASAKI/YML Alliance. In comparison, complete alliance pays more attention to extensive cooperation in dock operations and inland transportation, etc., in addition to mutual rent of shipping spaces, for example, the former MSK/LANDSEA Alliance, Grand Alliance, etc.

According to the service range of shipping alliances engaged in container transportation services, international shipping alliances can be classified into single type (regional) shipping alliances and global shipping alliances. Normally, only those

that simultaneously serve the three primary lines can be regarded as global alliance. Now, south-north global lines and the branch lines are gaining more and more attention from the international alliances.

3.2 Advantages of container liner alliance

Container liner companies set up joint ventures or strategic alliances so as to rent shipping spaces among each other and dispatch liners together. This not only improves service quality, but also achieves economy of scale and makes them more competitive. Advantages are summarized as follows:

(1) Larger shipping capacity. Among the twelve liner companies that constitute the three international alliances, the majority has far lower shipping capacity than the top three liner giants, such as MSK LANDSEA and MSC. However, when three or five liner companies set up an alliance, the shipping capacity reaches a certain level, and then take up a certain share in the global container liner companies (Grand Alliance: 10.7%, New World Alliance: 7.7%; CKYHS: 13.0%; statistics by the author). Although they are still not at the same level with MSK, they at least have the opportunity to compete with MSK in the international shipping market. Therefore, through powerful combinations, the alliance members are able to enhance their shipping scale advantages in this fiercely competitive international shipping market, which creates necessary conditions for survival and development of the enterprises. In shipping transportation, it is very easy for ship owners to realize economy of scale through mutual cooperation, and thus gain profits. By renting shipping spaces to one another, ship owners can operate ships with larger capacities. Thus the utilization ratio of marginal cost has been increased. They can also pool capital together to procure container ships with larger capacities, which reduces the unit cost for the procurement. The comparison of shipping capacity of the three leading international alliances is shown in the table below:

Table 2 .

Capacity comparison of three major league						
Shipping alliance	Members	Container space/TEU	Vessels/ship	Order space/TEU	Ratio/%	Market share/%
2M	MAERSK	2630000	574	288000	10.9	18.6
	MSC	2330499	480	177534	7.6	13.5
	TOTAL	4960499	1054	465534	18.5	32.1
G6	APL	622773	124	134000	21.5	3.6
	HMM	333900	55	70523	21.1	1.9
	MOI	532851	111	113200	21.2	3.1
	Hapag-Lloyd	711662	150	52676	7.4	4.1
	NYK Line	432003	100	26416	6.1	2.5
	OCOL	466557	95	88384	18.9	2.7
	TOTAL	3099746	635	485199	15.65	17.9
CKYHE	COSCO	760770	166	105834	13.9	4.4
	K-LINE	361616	71	69350	19.2	2.1
	YANGMING	378109	86	113055	29.9	2.2
	HANGJIN	624287	116	98132	15.7	3.6
	EVERGREEN	771494	196	334456	43.4	4.5
TOTAL	2896276	635	720827	24.89	16.8	

Data source: Alphaliner

3-1

(2) Less capital costs. Liner transportation is a kind of capital intensive industry. The benefits brought by resources sharing are self-evident. On one aspect, carriers can reduce the number of ships through alliance. Capital risks brought by procuring ships can also be reduced. On the other aspect, by signing agreements of sharing dock yards with other carriers, the use ratio will be raised. Partial cost can be effectively recovered. And losses caused by idle resources in the slack season can also be avoided.

(3) Larger shipping capacity and volume. After forming international alliances, liner companies can dispatch ships together and rent shipping spaces to one another so as to open more ship routes than an individual liner company can do, thus covering more lines and dispatching an increasing number of ships. To a certain extent, this will compress the operation costs. The shipping capacity and quantity of shipment undertaken by the international alliances on the three primary lines take up a considerable share. Take Asia-Europe line as the example. For now, there are 54 round lines of full container liners that provide weekly services. The weekly quantity

of shipment reaches 321,500 TEU, among which MSK occupies 66,400 TEU, almost one fifth of the total, following with MSC (35,476 TEU) and CMA (34,848 TEU). The the quantity of shipment of the three alliances: CKYH: 58,000 TEU; Grand Alliance: 38,570 TEU; New World Alliance: 24,000 TEU. The total of the three international alliances occupies almost forty percent of the shipment of the Asia-Europe line. As a result, the alliances or joint ventures have considerable advantages of shipment quantity on the three primary ship routes.

(4) Flexible operation. Comparing with MSK LANDSEA and P&O Nedlloyd, etc. that are merged into one company after restructuring, liner companies only form an alliance or operate jointly on some certain aspects. In order to help them keep their own independence, they need to be more flexible. The above mentioned three international alliances can be said to be a loosely connected group. Although the alliance members have mutual agreement, they are flexible and free to conduct cooperation on ship allocations, rent of shipping spaces, and even retreat from the alliance.

(5) External or social benefits of a shipping alliance

First of all, international shipping alliances can provide the customers with higher quality, and more extensive transportation services, which further satisfies the demand of world economic development. Specifically, the primary benefits include an increased number of lines and intensity, improved transportation quality, reduced transportation time, and enhanced transportation continuity. Besides, international shipping alliances make it possible to reduce the freight fees thanks to the economy of scale, thus saving production costs for the entire society. Secondly, international shipping alliances can regulate the demand balance in the global shipping market. As the alliance members can utilize the capital equipment of other partners, the surplus and deficiency balance of shipping capacity and other equipment are adjusted. Thus,

the asset utilization ratio of the international shipping industry is improved, while repeated investment and idle situation of capital equipment are prevented.

(6) Internal or company benefits of a shipping alliance

The international shipping alliance will also bring benefits to its members, including economy of scale, enterprise development, market share, and strategic substitutes, etc. Specific benefits are summarized as below:

I) The alliance allows the members to achieve a broader service scope. Large ships can be exclusively used for the trunk line long distance transportation, thus lowering the average cost. Meanwhile, the alliance members can jointly operate the branch line transportation so that small ships are utilized sufficiently, thus saving freight fees for the branch lines paid to the non-alliance companies, for the sake of ensuring the shipment of the trunk lines. In addition, situations of empty container transportation are reduced, with a higher utilization ratio.

II) The alliance reduces barriers for one liner company to enter into another company's shipping route as well as the possibility of price war or retaliation, thus finally reducing the risks and costs in expanding new market.

III) As the current total shipping capacity is in surplus, the alliance allows members to take advantage of the idle capacity of the others to expand their own operation scope, without undertaking enormous investment pressure and risks. This also indicates that they can fully utilize the other members' docks and inland transportation facilities, thus saving investment and expenses.

IV) In addition to increasing market share, the international shipping alliance also has substitution effect for shipping enterprises during the execution of the integration strategy and diversity strategy. In particular, under the trend that container transportation develops towards multimodal transport and comprehensive logistics,

the alliance can assist traditional shipping companies to effectively establish a multimodal transport and logistics service network.

3.3 Disadvantages of a container liner alliance

An alliance or joint venture is not always a "cure-all medicine" for international liner companies, the existing alliances or joint ventures also have some drawbacks.

(1) Limited effect on saving costs. Taking a look at the three international alliances for the trunk lines, the alliance members only conduct cooperation on dispatching ships together or renting each other's shipping spaces, while cooperation on other aspects, like dock facilities, related equipment (container, cold inserted accessories, chassis, etc.) remains weak for the reason that the member companies haven't reached a unified strategic goal. There are some other reasons as well. That means the cooperation among alliance members is not deep enough at present. They haven't realized complete sharing of resources between each other. Thus, the alliance or joint venture can only reduce the operational costs of shipping routes to a certain degree. Moreover, the cooperation between the alliance members will generate various implicit costs.

(2) Poor stability. International shipping alliance or joint venture is a loose group that is combined by agreement between the members. Although the agreement has certain arrangement, limitation and restraints on ship dispatching, shipping space allocation, and freight fee regulations, etc., the term of such agreement is normally not very long, and the binding force is not strong. Therefore, the international alliance or joint venture has poor stability. When the internal agreement or members are changed, the operation strategy for the alliance members has to be adjusted accordingly. And various high costs are inevitable in the run-in period. This results in certain obstacles for retaining the operational stability of the international liner

companies, as well as formulating the middle and long term development strategies and planning.

(3) Limited independence. As international alliance or joint venture members operate the ship routes together, they normally provide basically the same schedule or services at the same ship zone or dock. Then, to a certain extent, the members are restricted to achieve individualized development and their operation and services may lack their own characteristics. Because the international alliance or joint venture is bound by the internal cooperation agreement, a series of restraints will make the members lose the operation independence and freedom to a certain extent. Thus, they cannot timely adjust operational strategies to adapt to the constantly changing market demand around the world. Their response to the market demand is slow. In addition, the decisions made by the international alliance or joint venture are usually lagging behind.

(4) An international alliance that is not centered on assets normally causes the failure to achieving equality and efficiency at the same time. For the alliance members, as the connection does not involve assets, it is inevitable that the alliance members have their own different goals while seeking for the individual maximized profits. Meanwhile, as the alliance members have independent cargo collection networks, but they use the same ship line, there will always be competitions between each other. If strict rules are made on the internal distribution method, and competitions are restricted, the alliance members will possibly be less active, and thus make the alliance weaker in vitality.

(5) Conflicts can be found on operational characteristics, corporate culture and management system of alliance members. Because the members share ships and docks, and provide the same schedule, their own advantages and service characteristics cannot be fully demonstrated. Meanwhile, due to the differences in

cultural background and management system, there are some obstacles for the cooperation between alliance members. These obstacles are critical and cannot be ignored.

In general, the international shipping alliance or joint venture is a double-edged sword. Liner companies should prudently select the alliance or joint venture with consideration of their own actual operation status, for the sake of the maximized profits. In recent years, many experts and scholars in the Chinese shipping industry have considered the international shipping alliance or joint venture as one of the primary strategies for making Chinese shipping companies globalized. In fact, large scale shipping enterprises in China like COSCO have made successful tentative attempts (The COSCO/K-LINE/YML Alliance, formed at the beginning of 1998, developed rapidly and was praised as one of the top five joint ventures in the world by the International Shipping Industry.) CSCL also established O3 Alliance with CMA and UASC in 2014. In the face of such situation, Chinese shipping enterprises should firstly determine the appropriate strategy for internationalized operation. The critical prerequisite to make correct strategic decisions is to understand the strategic alliance in the international shipping industry completely and sufficiently. Besides, the key to achieve a successful alliance and make profits is to further explore and confirm the appropriate alliance strategy and execution measures. Facing the booming development of shipping alliances, Chinese shipping companies should work out the best suitable countermeasures based on the international liner market and their own operation status, so as to realize sustainable development in the international competition.

3.4 The analysis of the monopoly of shipping alliance with the example of P3 Alliance.

The “big three” ocean shipping carriers, Maersk Line, MSC Mediterranean Shipping Company and CMA CGM, have announced their establishment of an operational alliance on the three busiest trade lanes: Asia-Europe, Trans-Pacific and Trans-Atlantic. The provisional agreement, called the P3 Network, will pool ocean shipping vessels equivalent to 15 percent of global capacity on the respective routes. The move signals at how badly the ocean shipping carriers are struggling with overcapacity and unstable rates. The Financial Times cites that “prices on the key Asia-Europe route have fallen by as much as 70 percent in the past 12 months and in most markets ships are operating below cost.” The agreement is contingent on the ratification of relevant competition and regulatory authorities; however, Maersk Line executives indicate that the authorities have been approached and are in essence in agreement as long as there is no information sharing of any kind between the carriers. If approved, the alliance will roll out quarter two of 2014.

What does this mean for the ocean shippers?

The establishment of the P3 Network Agreement stabilizes the ocean shipping market. The fierce instability of the ocean freight rates on a weekly, sometimes daily, basis has made it increasingly difficult to manage a supply chain amongst the volatility. Stability will allow logistics managers to better forecast their supply chain. Although there are more than 15 competing carriers on the competing trade routes, the alliance of the three largest ocean shipping carriers will leverage Maersk, MSC and CMA in a very dominant carrier position. The dominant position and the sharing of resources will not just mean the reduction of carrier costs, but could have a negative impact on rates for ocean shippers. While in theory there would be no flow of information between the member’s commercial departments and the P3-established independent operating center (which will be used to manage vessel

schedules and allocations), the Asian Shippers' Meeting (ASM) has already voiced concern. Shippers will also be limited when choosing among a specific carrier within the P3 alliance. Both ASM and the European Shippers Council (ESC) have stated that the alliance should "in no way jeopardize or impair the free choice of shippers, and fair competition based on price, service level and routing." No such differentiation could possibly stunt the carrier's service innovation in the industry. According to the alliance the network "will provide customers with more stable, frequent and flexible services." The alliance also noted that, "each of the lines will offer more weekly sailings in their combined network than they do individually. As an example, the P3 Network plans to offer 8 weekly sailings between Asia and Northern Europe. In addition the P3 Network will offer more direct ports of call." The alliance also promotes, as a result of their extensive network, "a reduction in disruptions for customers from cancelled sailings."

Capacity, by carrier:

- The P3 Network will be based on existing capacities of each member, initially operate a capacity of 2.6 million TEU (255 vessels)
- Maersk Line will contribute with approximately 42% of the capacity (including the new Triple-E ships), of about 1.1 million TEU. Maersk Line will continue to offer the Daily Maersk product to those customers requesting it.
- MSC will contribute with approximately 34% of the capacity, of about 0.9 million TEU of capacity.
CMA CGM will contribute with approximately 24% of the capacity equaling 0.6 million TEU.

The basic characteristics of container transportation: first, large shipping scale has obvious effect of economies of scale; second, as the important part of logistics service, the provided product can't be stored, the marginal cost is very low, this makes space utilization rate to be the key point of shipping company's profit. The dilemma of trade-off of economies of scale and space utilization rate is very hard to

solve within a shipping company, but the shipping alliance can exactly solve the above problem through affiliated port complementary, shipping date coordination, exchange of shipping space and information sharing, this is the root cause of the shipping alliances' popular since 1990. Focus on the competition strategy, providing differentiated services is a feasible scheme to raise revenue, but the difference of the shipping service is limited, the Maersk company are trying to implement the "daily Maersk" and has obtained certain result, but Maersk executives has also acknowledged that found in the shipping field service differentiation is difficult. Since the current market environment is in extremely bad situation, control the cost is the inevitable choice for shipping companies, and the shipping alliances have the ability of solving this problem. The establishment of P3 league in last year, caused the shock of shipping industry, shipping companies worried about super P3 alliance squeezing their market space through the monopoly, the relevant government regulators also worried that P3 union would caused unfair competition. On June 17, the ministry of commerce voted down the P3 alliance, which make industry have a temporary relief. But on July 10, Maersk line announced to found a 2M alliance with Mediterranean shipping co., LTD. (MSC). It seems that the topic about shipping alliance will continue. So, will shipping alliance cause unfair competition? Do size large enough shipping alliance exists the possibility of monopoly? Then we will try to give answers from another angle.

1) Shipping alliance will not monopoly pricing

Look from the market, the international container transport market will form 2M, G6 and CKYHE alliance. 2M size will not exceed 30% of whole capacity, it cannot monopoly pricing, because there are other two major league's competition. Moreover, within 2M alliance, the two companies pricing on their own, the pricing strategies of different company are also different due to the different cost, so they

can't form the consistency of the price. Overall, prices are always affected by supply and demand. In the current large excess capacity market environment, we can't see a rise in price because of the alliance to form. The shipping alliances can only gain competitive advantage from the lower costs. At the same time, the shipping alliance makes shipping efficiency promote, improve the space utilization, partly exacerbated the market excess capacity. So in the short term they can only make the overall rate downward. In the long run, the league makes ship-owner's will to buy ships fall, and this has a positive effect to rate upward in the future.

Some say 2M alliance is likely to rise in price after the mature operation has monopoly power. In the current market environment, we can't see the possibility of price increase. Once the prices rise, market share could leak because rivals are eyeing. If one day the price really rose successfully, that is not caused by monopoly, but market supply and demand relationship is reversed. One part of the income of 2M alliance gained by the lower costs will go to the owner, which is the depreciation, the other one will be their own earnings.

2) The shipping alliance will not cause unfair competition

In the current market environment, the big three shipping alliance occupied the absolute superiority of the market space, and small shipping companies could be forced out the three main routes. But as a result of shipping alliance provides the owner with cheaper, more extensive coverage, a more intensive schedule services, belongs to the normal market competition rules, we couldn't see where there are traces of unfair competition. Each ship company's price is decided by many factors, in the end to inspection by the market, through the market gain a competitive advantage, the price behavior of up and down don't have much value judgment. Shipping alliance and ship large made the hub ports node reduce, regional transportation space increase, this is the living space of small shipping companies in

the future. The law of the market is survival the fittest, and should not be failed in the normal competition and then fight back by the anti-monopoly law of the government. Ronald Coase once said: "I'm very annoyed by the anti-monopoly laws. If the price is higher, the judge will say 'monopoly pricing', if the price is down, just say 'predatory pricing', if price is the same, just say 'collusion pricing'." From the international experience, the monopoly charges tend to be "mind he beat his dog will easily find a stick," completely consistent couldn't find the inner logic.

3)The shipping alliance is one of the biggest good to the owner of cargo

From the history of development of container transportation, the ship companies which are greed are constantly building large ship and hope to gain excess profits, but unfortunately, always hurt themselves. The reality can be seen is that the container freight rate overall downward for factors such as technology progress and shipping large scale. In recent years of the financial crisis, shipping companies go on the edge of life and death to provide the shipper very low prices of service, to support economic recovery with great dedication. Shipping alliance enables the shipping company to operating under a lower cost, also were more likely to give the owner benefit. Since 2013, the shipyard has undertaken a large number of ships as the stunt of green low carbon, if these ships really can save 30-40% of energy consumption than existing ships, so may accelerate the low efficiency of the ship out in the future, and gives support to the market freight rate rise. If these ships can only saving 10-15% of energy consumption than the existing ships in operation, the future shipping market recovery will be even more remote. In the near future, dozens of 18000 TEU 3E ships' launching although can greatly reduce the cost of single box, but for the excess capacity of the market, it is a poison. The disadvantage of shipping market is the biggest positive to owner of cargo.

4)The possibility of differentiation within the shipping alliance

2M alliance is a loose form of cartel. In the absence of coalition partners consent, some activities may not be able to conduct. The alliance makes the league members lose some of their independence and flexibility of management, and may lose some business opportunities. At the same time, partners in the pricing for their own profit maximization often can't both consider the equality and efficiency, and makes the alliance internal cracks. If the allocation rules aren't fair within alliance, it will affect the alliance members give full play to the initiative of the company, and make the coalition lost vitality. The unfair interests distribution will also be the motivation to divide the alliance. And union members' conflict in their respective characteristics of business, enterprise culture and management system may also hinder the league in the long run. When shipping market go into the business range, cost no longer is a key factor of competitiveness of shipping companies, the internal cohesion of shipping alliance will weaken and may dissolve.

Overall, shipping alliance can not only improve the efficiency of enterprise operation, and make the organization cost much lower than several mergers, is the best form of business organization in the current economic and social conditions. The flexibility of shipping alliance is the advantage of its organization, and in order to scale economy inconvenient to make the merger, the new cost of enterprise organization could well engulf the economies of scale due to merger. A visible example is the merger of Sinotrans and ChangHang.

5) Shipping alliance will create a new pattern of the port

It is thought that relative to the individual company before, shipping alliance has a larger market share, and this will make the shipping company in a very strong position during the contract negotiations with dock company. In fact, the relationship between the shipping company and dock company is not as you think, whose size big that have a say. Terminals are no charge ability, because have similar wharf and its

surrounding. The reason of Dock Company's loss of voice isn't that shipping company says too much, but dock capacity surplus.

The ships large scale in Asia-Europe line and the Pacific line, will change the layout of the main port and regional port, enabling port concentration trend to strengthen, "the strong stronger and the weak weaker," Matthew effect will be more prominent in the areas of port, the opportunity of port of backwardness to surpass will become more vague.

6) Antitrust rules have no convincing basis

Why the red line of European antitrust is 40% and not the other way around? The red line of different industry, different countries and different stages of development of the market share is the same? Microsoft's market share is 70%, we also did not see its not thinking innovation and enterprising, casual on wild speculations. Bill Gates's classic words are: "we have only 18 months away from bankruptcy." In the operating system why so "monopoly power" enterprise constantly to satisfy consumers and innovation? Why didn't see them sitting on monopoly profits? This is because once a stagnant it forward, others can catch up.

The vote down of ministry of commerce on P3, still uncovered regulation of long way: the regulation in advance. In the context of transformation of government functions, the government management is to the negative list management and regulatory changes, and things for P3's veto was contrary to the general direction of the transformation of the government functions. The green light of Europe and the United States to P3, is also engaged in supervision after the departure. Namely, only the reality of the monopoly should be given disciplinary. We can't say might monopoly, so not allowed.

7) China's shipping company is not no way out

In the hitting of big leagues tidal current of maritime industry, China's shipping companies don't expect the anti-monopoly law to hinder it; also don't hope to the government's entry barriers to foreign investment. Open market trend remains the same, free trade and open markets caused the global division of labor is to promote human welfare in the world. We should not backtrack when meeting industry downturn. What China shipping company shall do is practicing hard, work hard on the service to be better than competitors, but also should do the same thing in other alliance deal with challenges, and actively innovative service mode and operation mode, so as to have the opportunity to lead the market trend and don't always behind other companies struggling to cope with.

4 How do Chinese Liner Companies cope with International Shipping Alliances?

4.1 The Denial of P3 Alliance Highlighted China's

Anti-monopoly Position

On June 17th, 2014, Ministry of Commerce banned P3 alliance plan that gained wide attention of shipping industry from both home and abroad and owner of cargo. This is not only the first anti monopoly case of shipping industry, but also a clear view toward P3 alliance.

Through legal and economic analysis, Chinese regulatory authorities have worked out the result of examination and approval toward P3 alliance plan. The key word of this result is “concentration of business operators”. The so-called concentration of business operators can be found in three cases in the anti monopoly law, the first one is operator merging, the second one is to obtain control over other business operators by means of acquiring shares or assets, and the last one is to obtain control over other business operators or to exert a decisive influence on other business operators through contracts.

In the three case, the three big giants in liner industry, namely Maersk, MSC and CMA, signed agreements to get ready for setting up a network center of limited liability partnership in England and Welsh. The center will take the responsibility of managing the operational affairs of container liner on Asia to Europe course, Atlantic course and Pacific course. And they formed alliance in terms of cooperative form, operation procedure and cost allocation. Obviously, this situation belongs to the third condition. The global liner industry’s alliance, like G6 and CKYHE, is based on ship sharing agreement and slot exchange protocol, but the members of the alliance operate independently, which is substantially different from P3 alliance.

According to this, regulators require the three parties of P3 to avoid the involved crucial points of “Concentration of business operators”, but the relief plan of the three parties has not been recognized, and the final denial made Maersk surprised. Also, this result made European ports, ship-owning companies and traffickers surprised. When communicating those unexpected response, the author found that that responses has two meanings, one is P3 alliance’s reducing cost and operating efficiently to meet the requirement of clients such as “Daily Maersk” service, which obviously gets approval from the owners of Europe and the United States as well as shipping industries. Some European shippers and ports even have special preference for P3; the other one is that P3 still has deviation, fuzzy consciousness and even doubts over the cognition of China's firm attitude toward monopoly, advancing strength and mature behaviors.

We should notice that in the examination and approval of P3 plan, compared with America and European Union’s continuing implementation decision, China's regulatory agencies think much more clearly, hold a more firm attitude, insist on a more strict process at the key points in the execution process of anti monopoly. It is not hard to find that the standpoints of China's regulatory agencies is, firstly, starts from the maintenance and improvement of the overall situation of China's shipping market and the development environment of industry, thinks fully about the impact and influence to China’s shipping industry and trade market brought by the joint operation of the three parties, which takes 47% share of service consolidation of Asia-Europe route. Secondly, China's regulatory agencies starts from the reality of China's own development, pays more attention to the use of international rules, related laws and general practices, respects for the interests of the relevant parties, including domestic shipping companies and other maritime trade chains, handles and disposes the disputes that involving China and the external market effectively, uses

more rational and sophisticated means to play its role in the global market.

So far, the three parties has made it clear that they will abandon the P3 alliance plan. through the dust settled has given the liner industry a chance to relax their tension, the exit of strong competitors does not mean the strengthen of China's Shipping Industry. On the contrary, under the background of the slow recovery of global economic, the continued downturn of the shipping market and excess capacity normalization are like domestic trouble and foreign invasion which hinder the development of liner industry. In this sense, relying on innovation of shipping business, seeking a breakthrough and getting rid of dilemma from low cost, high efficiency and low emission will be the invariant theme from now on.

4.2 Development status of international container liner alliance and its influences on China

Nowadays, the global shipping market features evident monopoly. The top 10 liner companies in the world have taken up more than 60% of the market share in the trunk lines. Facing such fierce competition, cooperation is successively conducted between international liner companies. They share resources such as shipping capacity and docks, with a view to increasing the use ratio of equipment, reduce investment in fixed equipment, and thus achieve the economy of scale. Meanwhile, the ship line coverage is enlarged, and intensity of ship dispatching increased, so that high quality and reliable transport services are provided to the consignors. With competition and cooperation throughout the liner alliance, the alliance groups maneuver with each other and recombine constantly. Liner companies, no matter what size, all develop towards the international carrier, with transport lines upgrading from linear to network system, and the cooperative pattern switching from the early liner conference and Stabilization Agreements Organization to joint venture and

strategic alliance.

Let's make a general survey of the development history of the global container liner transport market. Since the 1990s, international alliances and mergers have swept across the entire world, represented by Grand Alliance, Global Alliance, United Alliance, and CKY joint venture, etc. Later, in 1997, after a series of mergers and acquisitions conducted across the international alliances, such as establishment of P&O Nedlloyd, acquisition of APL by NOL, and Hanjin buying the most shares from Senator, the several alliances and joint ventures adjusted themselves, too. At the beginning of 1998, three years after the emergence of shipping alliances, P&O Nedlloyd, OOIL, NYK, Hapag-Lloyd, and Malaysia International constituted the new Grand Alliance, while MOL, APL, and HMM formed the New World Alliance, replacing the original Global Alliance. After entering the 21st century, the liner alliance system starts to show some signs of recombination. After the bankruptcy of Choyang, Hanjin and Senator (80% shares held by Hanjin) joined in CKY joint venture and set up CKYHS Alliance (COSCO, K-LINE, YML, HANJIN, SENATOR) in 2002.

After the recombination of the above alliances, they consciously start to deploy their new expansion strategies in China by adding direct lines and ports of calls in the mainland China. Owing to the cooperation in mutual rent of shipping spaces, joint services, and sharing of inland facilities, etc. inside the alliance, this virtually accelerates the speed of foreign large liner companies entering the shipping market of China, as well as aggravates the competition in Chinese shipping market that brings heavy pressure to the domestic liner companies.

Next, I will analyze the impact of the international alliances on the Chinese liner companies across the Asia-Europe line.

Figure 2 & 3.

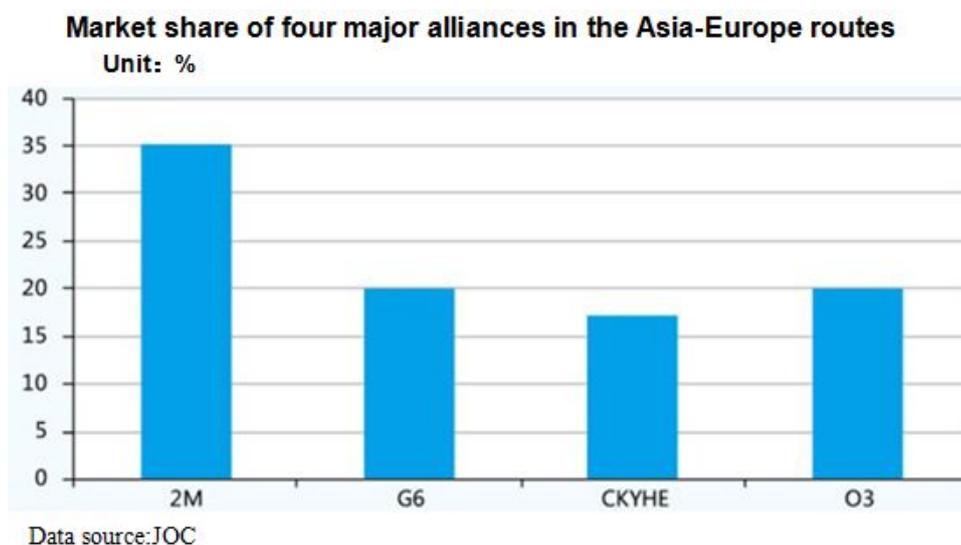


4-1

4-2

The above two charts respectively show the effective shipping market share of the carriers across the Asia-Northern Europe line, and Asia-Mediterranean line, before 2M and O3 alliances are approved. The figure below compares the market share across the Asia-Europe line after 2M and O3 alliances are founded.

Figure 4.

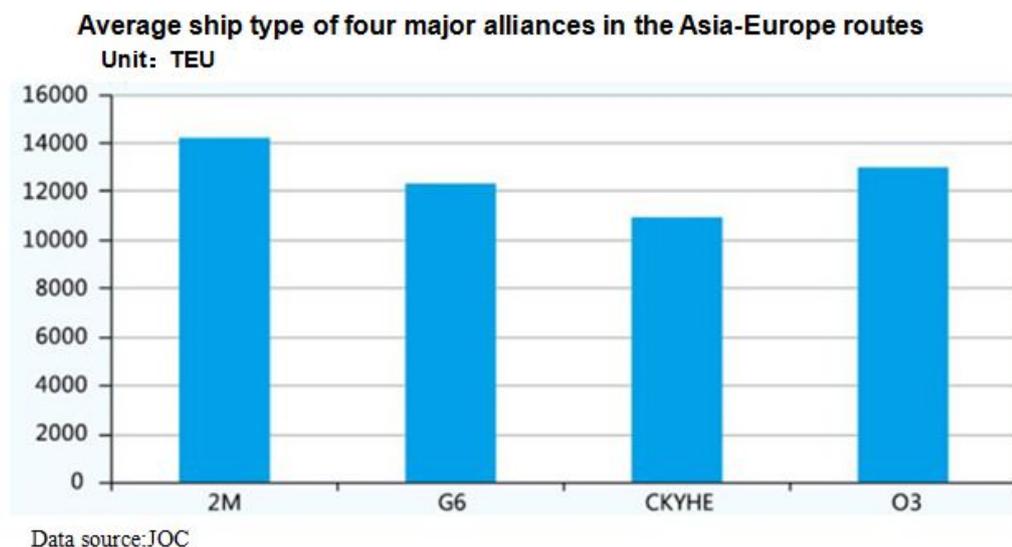


4-3

According to the above figure, the leading liner companies in the world have taken up the majority of market share across the Asia-Europe line. After the establishment of 2M and O3 alliances, they will have more control over the Asia-Europe line, which will bring heavy pressure to the Chinese liner companies. In the figure below, a comparison was made on the average ship capacity of the four international alliances across the Asia-Europe line. Competition of large scale ships

will roll out on the Asia-Europe line. Although the majority of international liner companies are hard to make profit, the ordinary trading market needs a mechanism that selects the superior and eliminates the inferior.

Figure 5.



4-4

According to the prediction by Alphaliner, the annual average newly delivered container shipping capacity around the world between 2013 and 2015 will exceed 1.3 million TEU, with an annual growth rate of 8% or so. This indicates the trend of continuous surplus. There is no exception for the Asia-Europe line: it has surplus input of shipping capacity and highly concentrated market. For now, the total input of shipping capacity by 2M, G6, O3, and CKYHE on the Asia-Europe line takes up over 80% of the entire international shipping capacity. In such unendurable market, win-win cooperation is an irresistible trend, but small liner companies will strive to survive.

After 2M is put into operation, by relying on the advantage of occupying the highest market share on the Asia-Europe line, it can enjoy an advantageous bargaining position in the new-year service contract negotiations. Then, middle and small sized liner companies with limited strength will lose their market share. The

Asia-Europe line will be more concentrated, while the liner company operation status will not be improved substantially. According to Clarkson's estimation, there are two conditions for an 8,000 TEU ship to break even on the Asia-Europe line. One is that freight fee is 1,125 US dollars / TEU in the case of 100 percent use ratio of shipping spaces; and the other is that freight fee is 1,500 US dollars / TEU in the case of 75 percent use ratio. Evidently, the current freight fee across the Asia-Europe line is under the break-even point. Even though the freight fee is expected to rise after the establishment of 2M, it is probable that the freight fee will fall back because the use ratio is lower than 80 percent. Moreover, middle and small sized liner companies will be marginalized. On the one hand, they cannot improve service quality in a short term, so what they can do is to rely on a low price strategy to seize the low-end market. On the other hand, MSK and MSC are actively employing super large ships to reduce unit container operation costs.

Therefore, under the dual influences (innovative services and cost advantage) of 2M, the Asia-Europe line will face a reshuffle. Chinese liner companies will then suffer from impact to a certain extent. The Chinese liner companies should take certain measures to handle the international situation. So, what development strategies should the Chinese liner companies take to cope with the challenges?

4.3 Coping strategies of the Chinese shipping enterprises

Chinese shipping enterprises should take active strategies to cope with the global trend of establishing shipping alliances in the international shipping industry. Such strategies include what stated below:

(1) We should have a brand new understanding of the strategic significance of international liner shipping alliance. The international shipping industry has been generally considered as an industry with high risks, high investment, but low returns.

Since China opened the container liner shipping market to the world, the international market has undergone several times of ups and downs, and the bad time lasts much longer. In the past, international strategic alliance was considered as zero-sum game, i.e., gains of one party is equal to the other party's losses. It is right if thinking from the perspective of the traditional industrial organization. However, the contemporary widely accepted point of view is that international alliance can become a more mature, long-term, and win-win relationship. On the one hand, it can reduce operational risks and realize resource complementarity. On the other hand, it prevents vicious competition and assists to expand the new market. Therefore, Chinese shipping enterprises must recognize the strategic significance of cooperation on shipping capacity, as it is related to life and death.

(2) We should define the key partners first and then expand cooperation scale. In order to strengthen and consolidate the position across the trunk lines, Chinese liner companies must define the key partners as soon as possible. Based on this, we should also open the door to all the other international liner companies and select appropriate opportunities to further expand our cooperation scale. For now, COSCO has established extensive and close cooperative relationships with K-LINE, YML, HANJIN, and Senator. Although there are conflicts in the cooperation, the alliance, generally, has brought benefits to all the parties. As a matter of fact, K-LINE, YML, HANJIN, and Senator have become the primary cooperative allies of COSCO in the global container liner industry. For COSCO, the most urgent task now is to seize the opportunities to promote such cooperation, and define the four parties as its key partners in the container liner transportation business. Meanwhile, Chinese shipping enterprises should present an active attitude of seeking for equal and reciprocal cooperation with other liner companies, in the prerequisite of complying with related Chinese policies and regulations, without missing any advantageous cooperation

opportunities.

(3) We should be flexible and responsive, so as to increase the benefits by forming international joint venture or strategic alliances. It is of great significance to analyze the development trends of the global liner transportation market on a regular basis, especially in the time of troubles, so that we can adjust the cooperation scale and pattern timely, guaranteeing maximized benefits. In spite of the diversified cooperation patterns and depth between liner companies, we must take our corporate strategy into consideration. The key element of the international shipping alliance is sharing of shipping capacity, including joint dispatching of ships, sharing of shipping spaces and facilities, etc. In choosing alliances, there is always a development process from low participation to high participation.

(4) We should strengthen enterprise cooperation and improve operation performance. Shipping alliances make the market concentration much higher and competition much fiercer. If Chinese enterprises want to have a finger in the pie in this highly competitive market, they must strengthen corporate cooperation and complement one another with their own advantages. Although the current operation performance of the three global alliances is not satisfactory, the shipping alliance still helps to expand the lines coverage, increase market share, reduce risks in expanding new lines, increase service frequency, and raise the use ratio of containers, etc. It is one of the effective options for the enterprises to cope with fierce competitions by strengthening cooperation through alliance, so as to enhance corporate competitiveness.

(5) We should build financial chains and expand financing channels for the shipping industry. For now, Chinese shipping enterprises employ shipping financial products on a very limited basis, particularly in the ship financing field. Only a few national banks participate in the operation. There is no specialized policy bank that

provides financing services for the shipping enterprises. It is advised that the shipping enterprises in China should explore and establish professional maritime banks, and build a shipping financial chain that integrates financial leasing, shipping index transaction, transfer of line property rights, and international settlement, etc. By combining the shipping industry with finance industry, more capital will be obtained for guarantee of exploring new business growth points.

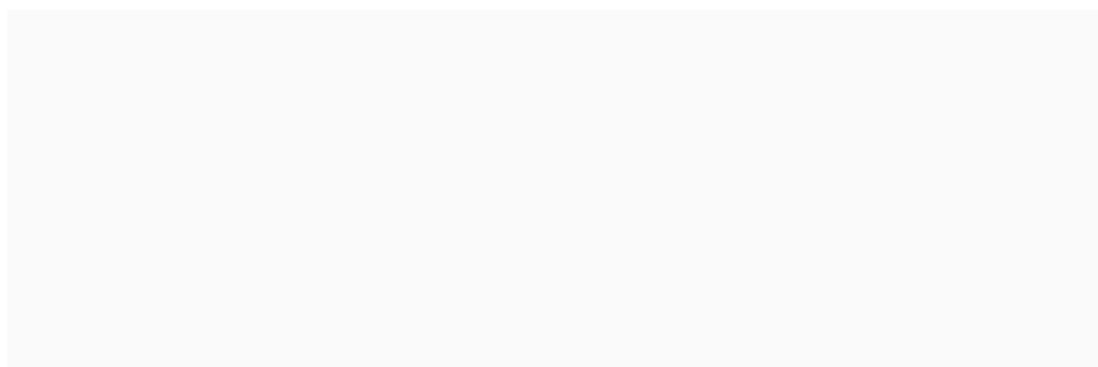
(6) We should optimize the fleet structure and improve operation ability. Chinese shipping enterprises have a large-scale fleet, but the structure has evident drawbacks. In addition, Chinese shipping enterprises are generally not good at management, which can be seen from the following aspects: information delay, sluggish decision-making process, insufficient hardware, and weak marketing concept of the managerial personnel, etc. As the current shipping market is not in its good condition, Chinese shipping enterprises should accelerate the structural adjustment process of the fleets by knocking out old ships, so as to realize transition and upgrade. Chinese shipping enterprises should also improve operation capability from various aspects.

5 Conclusions

At present, it is obvious to all that the strategic alliances between international shipping enterprises have made positive effect as well as profound influence on the shipping market pattern. For Chinese shipping enterprises, they must face the trend and work out the international development strategies. Let us summarize the four shipping alliances again. G6: Hapag-Lloyd, NYK, OOIL, APL, MOL, HMM; CKYHE: COSCO, K-LINE, YML, HANJIN, EVERGREEN; 2M: MSK, MSC; O3: CSCL, UASC, CMA. In the future, it is probable that the four international alliances will totally occupy the global shipping market. On that account, it is of great theoretical and practical significance for the Chinese shipping enterprises to further study and understand the development motivations, substantive characteristics, positive effect and limitations of the international shipping strategic alliances, during working out the international operation strategies. Based on the above analysis, Chinese liner companies should build shipping finance chains and expand financing channels so as to resolve the problem of fund flow stress caused by surplus shipping capacity and low freight rates. On the other hand, Chinese shipping enterprises have large-scale fleet, but the structure has evident drawbacks. In addition, Chinese shipping enterprises are generally not good at management, like information delay, sluggish decision-making process, insufficient hardware, and weak marketing concept of the managerial personnel, etc. As the current shipping market is not in its good condition, Chinese shipping enterprises should accelerate the structural adjustment process of the fleets by knocking out old ships, so as to realize transition and upgrade. Chinese shipping enterprises should also improve operation capability from various aspects. Besides, Chinese shipping enterprises should take advantage of the global trend and strengthen alliance cooperation, so as to expand lines coverage and market share. Based on the current international liner transport market, Chinese

companies should consider the situation and strive to hold the market initiative, with a view to facilitating the strategic structural adjustment of the shipping industry. Chinese shipping enterprises should also improve their service quality and competitive edges so as to consolidate the market position and create opportunities. Meanwhile, Chinese shipping enterprises should actively expand cooperation channels on a broader and deeper level with a view to establishing cooperative and even alliance relationships with other international liner operators. Chinese shipping enterprises should keep up with the international standards, and seek for cooperation instead of competition, so as to raise operation efficiency, reduce operation costs, and improve operation situation to the largest extent. This is directly related to the survival and development of Chinese lining enterprises in the fierce competitions.

With the constant development of the international shipping alliances, the international shipping market becomes more and more centralized. This will bring enormous pressure to the current liner transport market that has been staying in the low-speed growth stage for a long time. Facing such a dim market situation, Chinese companies should reconsider the situation and strive to hold the market initiative, with a view to facilitating the strategic structural adjustment of the shipping industry. Chinese shipping enterprises should also improve service quality and competitive edges so as to consolidate the market position and create opportunities.



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