



# Shipping Cargo Globally, Earning Credit Internationally

An Interview with Wei Jiafu, President and Chief Executive Officer,  
China Ocean Shipping (Group) Company (COSCO), Beijing



Wei Jiafu

**EDITORS' NOTE** *With more than 10 years of seafaring experience, Wei Jiafu has extensive knowledge of international shipping management and operations. He is a senior engineer with a doctorate in ship and ocean structural design. As the head of COSCO, Wei Jiafu has been honored with a number of distinguished awards recognizing his outstanding contribution to the international shipping industry. The most eminent honors include the Economic Booster Award from the Massachusetts Alliance for Economic Development and the Port Pilot Award from the Port Authority of Long Beach. In addition, as recognition of his outstanding contribution to China-Belgium business and trade development, His Majesty King Albert II of Belgium named him a commander in the order of Leopold II on November 15, 2005.*

**COMPANY BRIEF** *China Ocean Shipping (Group) Company (COSCO) is a state-owned shareholding company with RMB150 billion in assets and more than 40 years' history. It is also one of the 169 large state-owned enterprises that are supervised by the State-Owned Assets Supervision and Administration Commission of the State Council. It owns and manages a variety of merchant fleets, with total carrying capacity of up to 36 million deadweight tonnage (dwt), which*

*ranks second in the world. In addition, it owns nearly 1,000 membership companies globally with a workforce of around 70,000. Ships and containers with the conspicuous COSCO logo are shuttling among 1,300 ports in more than 160 countries and regions around the world. COSCO is now shifting rapidly from doing business with foreign partners to being an internationalized transnational corporation. It owns more than 700 solely funded and joint-venture companies overseas.*

## What has COSCO achieved through the process of reform of China's large state-owned enterprises?

The reform of China's state-owned enterprises has experienced a number of phases, including decentralization, interest concessions, the adjustment of operational mechanisms, building modern enterprise mechanisms with innovative systems, revitalizing the national economy, and pushing forward the transformation of management, from owning state-owned assets to controlling them. As a large state-owned enterprise and also a shipping company that came into the international market at an early stage, COSCO has always been in a leading position in the reform process. COSCO has made noticeable achievements throughout the whole process.

The long-term aim of COSCO is to actualize the goal that was set up in 2004, namely to build COSCO as a centennial company. The medium-term goal is to become the system integrator of the international shipping and logistics industry. To achieve this, first we need to continuously develop our core business, namely shipping services; manufacturing and repairing ships and floating equipment; and logistics services. It is vital to focus on these core businesses in the process of system integration. Second, we should firmly adhere to the goal of being bigger and stronger. Our most recent goal is to actualize two transformations: first, to transform from a global shipping carrier to a global logistics provider with the support of shipping services; and second, to transform from an organization running

businesses overseas to a transnational corporation. By realizing the above-mentioned aims, we are striving to become a "global COSCO."

## What are the major features of COSCO's internationalization process?

COSCO's internationalization process has its own unique features. We advocate "global thinking, local operation." In the process of actualizing its international strategy, an enterprise should fully utilize its advantages, in terms of ownership, internalization, and location, in order to achieve a dynamic balance between globalization and localization. By doing so, it could truly achieve the transformation from a company running business overseas to a transnational company. By 2010, the overseas assets of COSCO are expected to reach more than \$10 billion, and the total sales income should reach more than \$14 billion. If the above-mentioned targets are realized, COSCO will become a world-class transnational corporation.

## China's influence on the global economy is increasing, and people around the world have different opinions about this. What are the principal misunderstandings that global political and business leaders have about COSCO and other Chinese enterprises?

China's fast-expanding economic growth, its reinforced role as a global trading power, and the limitations of people's understanding of the real situation in China all contribute to a sense of anxiety about China. The notion of a "China threat" is representative of people's concerns. Because of these concerns, there are a lot of misunderstandings about the internationalized development of Chinese enterprises. Some people believe that China's state-owned enterprises are owned by the nation and are also controlled by the government, and that they serve the government's political, or even military, purposes. Some people even believe that the development of China's state-owned enterprises depends on the government's support, and that these state-owned enterprises therefore have advantages in terms of policy-making, which creates an unfair

competitive environment for foreign companies. There is a common belief that China's enterprises are facilitating their rapid development and dominating other companies' markets with their low-cost labor forces and low-priced products, which causes bankruptcy and unemployment in companies in other countries.

**What kind of information do you want to deliver to the world to erase these misconceptions?**

I highly recommend that those people who misunderstand China come to China and have a look for themselves. Americans have a saying: "Seeing is believing." Only when you see for yourself, can you really believe something.

More and more international political and business leaders have noticed that China's fast-expanding economic growth, including the internationalized development of Chinese enterprises, is not a threat for the world. Instead, it brings new opportunities for the world's development. Of course, Chinese enterprises have to follow international business rules strictly in their process of overseas development, to show the world that we are willing to take our responsibilities seriously and also provide valuable opportunities for other countries.

I firmly believe that our efforts will finally eliminate the notion of a "China threat." In 2002, COSCO's container ships made their first direct port call into the port of Boston, bringing employment opportunities to 9,000 Americans. This has become a much-told story that embodies the mutual benefits of the relationship between China and the U.S. The feedback from both nations has been positive.

**What role does COSCO play in the formation of a harmonious global economic system, and what social responsibilities does COSCO have?**

COSCO's logo is the figure of a ship, which is composed of five characters and an antenna circle, representing how COSCO communicates with the rest of the world. The logo reflects COSCO's management values very well. Our ships and containers are shuttling around the world, and we are actively assuming the responsibilities of a global citizen, trying our best to create wealth for the world. Our long-standing aim is to grow together with our partners. We have dedicated ourselves to providing "green services," to building up a "harmonious enterprise," and to bringing about comprehensive, harmonious, and sustainable development. Moreover, COSCO is a firm supporter of anti-terrorism measures within the international shipping industry.

In 2001, COSCO established a comprehensive management system called QUALENOHSA. In 2004, COSCO formally joined the U.N.'s Global Compact, and promised to follow its basic principles pertaining to human rights, labor standards,

the environment, and sustainable development. On January 4, 2005, after the Southeast Asia tsunami, COSCO donated RMB10 million to the Red Cross. In order to standardize our philanthropic activity, we founded the COSCO Charitable Foundation and plan to donate RMB10 million each year to poor areas in China's Tibet Autonomous Region.

**What are the core values of the COSCO brand? What are the factors that determine the core competitive abilities of COSCO and its future development? What do you expect people to think about when they see ships and containers with the COSCO logo, shuttling among different countries?**



*"The logo reflects COSCO's management values very well."*

The core values of the COSCO brand, and the factors that determine its core competitive abilities, are to be found in COSCO's rich corporate culture. I have thought up a new phrase for COSCO to stand for: Commitment Orientation Seriously Carried Out. This aptly summarizes COSCO's above-mentioned corporate culture. When people see the logo of COSCO, I hope they will think about the high-quality shipping and logistics services that we provide. Our motto is: Shipping cargo globally, earning credit internationally.

**What features must a person have to become a successful entrepreneur in China?**

I once said that to be a good entrepreneur, it is important to make great efforts to realize the following four goals: First, try to become a politician. A mature entrepreneur has to learn to do things from a political angle, both in terms of solving problems and in terms of managing the enterprise. The decisions made by an enterprise for its development have to follow the guidelines set by local government and also conform to the trends of the time. Second, try to become an ideologist. The thoughts of an entrepreneur determine the upper limit of his or her success. Only when an entrepreneur owns deep thoughts and a wide view can he or she continuously lead the enterprise to new areas. Third, try to become an artist. Management is a kind of profound art, and all entrepreneurs should learn to be

artists with advanced management skills. Fourth, try to become a diplomat who is good at utilizing international and domestic markets and resources in order to promote harmonious development.

Nowadays, there are, in fact, no essential differences between Chinese entrepreneurs and business leaders from large international corporations. However, China is now undergoing a transformation process – namely, transferring from a traditional planned economy to a socialist market-oriented economic system. Chinese entrepreneurs are assuming more responsibilities in their positions as leaders of state-owned enterprises, with more social responsibilities and diverse goals. Therefore, to reduce the burdens of China's SOEs' leaders and to let them focus more on managing the company are two of the requirements and contents of deepening the reform of China's SOEs. This is crucial for Chinese entrepreneurs to become professional managers as other international partners in the world.

**How do you define your characteristics as a leader and also your leadership style? Is there any connection between these attributes and your unique personal experiences?**

I started my career in the shipping industry as an ordinary seafarer. Now, as the leader of COSCO, my success comes from my ability to bring happiness and harmony to many people; to make contributions to the shareholders, society, and the environment; and to maximize value for the enterprise.

As I am an entrepreneur, my wealth is not what my parents have given me. Instead, it is the responsibility that society has bestowed upon me. A successful person must have a strong sense of social responsibility. By eliminating poverty, we could realize the harmonious development of the world, and this is the responsibility of all people who have the rights of asset allocation.

**When you remove all of your titles, what do you think are the core values of your personal brand?**

"Captain" is a personal brand that I will keep all my life, since it represents a kind of responsibility and contribution, as well as the spirit of exploration. Captains generally hold three kinds of burdens: First, ships that are worth more than \$100 million, which are entrusted by the ship owner; second, cargo worth more than \$100 million, which is entrusted by the cargo owner; and third, the lives of a group of seamen and also their families' expectations for their safety. I would undertake all three of these responsibilities, no matter what position I was in.

After I retire from my position, I am willing to be a communicator, in order to contribute to the world. I hope I will let the world know more about China through my own actions, to ease the misunderstandings that can arise. 