

*6th
annual*

the CHINA
CONFERENCE



Is China still a "Win-Win?"



September 12-13, 2007
DoubleTree Hotel, San Pedro, Calif

Hosted and Principally Sponsored by



Presented by

CARBON BUSINESS NEWS
AN IRVING-CLOUD COMPANY

Welcome to the Sixth Annual China Conference!

We are pleased to bring you the premier China–North America event dedicated to discussing commerce and logistics between these two major trading regions.

Los Angeles is the largest gateway for Asian trade in the Americas, and an ideal setting to join your colleagues and other experts at the China Conference to discuss doing business with the world's most dynamic and, at times, challenging, economies.

Listen to experts from the fields of logistics, trade, research, economics, the environment, academia and more, in order to gain a more informed picture on commerce in China – an ever-shifting landscape.

Learn from transportation and logistics professionals the current status, and future potential, of China's logistics network. You will find out how Chinese and North American transportation infrastructure networks are getting more aggressive in a variety of ways to compete more effectively for your cargo in this huge trade lane.

Whether you are currently engaged, or just looking to get into China–North America commerce, you will benefit from the insight of several hundred of your peers and other experienced participants in this trade who will be present at the China Conference.

San Pedro Bay is home to the busiest container complex in the Americas and one of the largest in the world. The trans-Pacific trade is where the bulk of China-sourced containerized cargo flows in both directions, and we're pleased to bring the China Conference back to where it started.

See you in San Pedro!

Geraldine Knatz
Executive Director
Port of Los Angeles





WEDNESDAY, SEPTEMBER 12, 2007 - DAY ONE

7:30-8:00AM Registration and Continental Breakfast

8:00-8:15AM Welcome Remarks

8:15-8:45AM Opening Keynote

Speaker:

Manuel "Manny" Menendez III, Founder, MCM Group Holdings, Ltd. and 8M8 LLC

8:45-9:15AM China Logistics Business Outlook: Still a Win-Win?

"Win-win" is perhaps the most popular catchphrase used in China business and commerce, and there are many good reasons why. However, the next 5-20 years should see tremendous market force transitions and shifts within China, and with its biggest trading partners, such as North America. A logistics industry expert will set the table with the most pertinent logistics business issues and topics that will have an impact on your supply chain with one of the world's biggest, most dynamic, and at times, precarious, shipping economies.

Speaker:

Philip Damas, Director, Supply Chains Advisors Division, Drewry

9:15-9:30AM Break

9:30-10:00AM Where Is the West Coast "Win-Win"?

As China sorts through its own infrastructure and logistics challenges, the West Coast is dealing with its own. One of the top executives of one of the major China-based service providers talks about China's impacts on the eastbound trans-Pacific trade through the West Coast, and of alternative intermodal gateways, such as the impending Prince Rupert, BC container complex.

Speaker:

Howard Finkel, Executive Vice President, COSCO Americas

10:00-10:15AM Break

10:15-11:15AM General Session One

China's Clothing and Apparel Market

The export of clothing and apparel by China had gone up by 27.3 percent during the first five months of 2006, according to a release from the General Administration of Customs (GAC). In this session, our experts look at the opportunities and challenges in this dynamic market.

Moderator:

Rick Knee, Senior Writer, Cargo Business News

Speakers:

Ilse Metchek, Executive Director, California Fashion Assn.

Bruce Berton, Principal and Director, International Business Consulting, Stonefield Josephson, Inc.

Janet Labuda, Director and Border Protection, Office of International Trade, Textile Enforcement and Operations, US Customs

Robert Krieger, President, Krieger Worldwide

11:15-11:30AM Break

11:30AM-12:45PM General Session Two

The China-U.S. Highway: What is being done to help move your goods?

A thorough exploration of China's five-year plan to establish national logistics centers and large scale logistics enterprises. North America faces its own infrastructure development challenges running parallel with China's explosive cargo growth. This session will focus on the progress made and the challenges ahead including road, rail, ocean and industrial real estate.

Moderator:

George Cunningham, Executive Editor, The Cunningham Report

Speakers:

Jon Poelma, Senior Director, Pacific Services, Maersk Line

John Cheng, Honorary Advisor, China Railway Container Transport Center, Ltd.

Steve Branscum, Group Vice President, Consumer Products, BNSF

Edward Romanov, Jr., President and Chief Operating Officer, The Allen Group

1:00-2:45PM Lunch & Keynote

Speaker:

Pat Boot, Senior Vice President, Asia Operations, ProLogis

3:00-5:00PM China's Opportunities

Three different, special sessions/presentations on doing logistics business in China.

Shenzhen Ports and Logistics Update

Speaker:

Andrew Pan, Chief Representative and Managing Director, North American Representative Office of Shenzhen, P.R. China (NAROS)

China's Cold Chain - Market Update and Food Safety

Speaker:

MK Wong, Director, Reefer Trade, OOCL

Red Chamber Seafood Co. - Speaker TBA

Niche Carrier Business Opportunities

Speaker:

Dave Hoppes, Senior Vice President, Ocean Services, Matson

Evening

Collaboration Dinners

THURSDAY, SEPTEMBER 13, 2007 - DAY TWO

9:00-10:00AM Logistics Sourcing Roundtable

Moderator:

Hud Warren, Principal, ChinaWest LLC

Speakers:

Mike Gray, Director, Corporate Logistics, K-Swiss

Charlie Woo, Co-Founder and CEO, Megatoys

10:00-10:15AM Break

10:15-11:00AM How the Future of China-North America Environmental Issues Impact You

Speaker:

Dr. Ralph Appy, Director of Environmental Management, Port of Los Angeles

11:00-11:30AM How the Future of China's Energy Market Impacts You

China is now the second largest oil consumer in the world, behind the U.S. With a real gross domestic product growing at a rate of 8-10 percent a year, China's need for energy is projected to increase by 150 percent by 2020. China currently imports 32 percent of its oil and is expected to double its need for imported oil between now and 2010. With worldwide supply closely matching demand and the resulting impact on energy prices, a special presentation looks at the potential impact on your logistics costs.

Speaker:

Dr. Kang Wu, Senior Fellow and Head of China Energy Project, East-West Center and Distinguished Senior Associate, FACTS Global Energy

11:30AM-12:15PM China and the 3PL Market

From large state-owned enterprises (SOEs) with major networks and capabilities, to the growing segment of manufacturer-owned logistics intermediaries, and the leading role the new Wholly Foreign Owned Entities (WFOEs) are taking on, options abound. This is a dynamic market growing at a 25 percent clip.

Speaker:

Chris Woodward, Vice President and Managing Director - China, Ryder System Inc.

David Bennett, Vice President, Sales & Development, Globe Express Services

12:15-12:45PM Special Case Study

Yantian International Container Terminals Business Plan

Presented by MBA students and faculty, Marshall School of Business, University of Southern California.

1:15-2:30PM Lunch Keynote and Grand Prize Drawing

Closing Keynote Speaker: Wei Wang, Author, The China Executive



Still a win-win...

Although the China market is maturing, the country continues to represent the land of opportunity for many foreign entrepreneurs.

Text and photographs by Eric Watkins

THE SIXTH Annual China Conference, principally sponsored by the Port of Los Angeles and presented by *Cargo Business News*, took place Sep 12-13 in San Pedro at the Double Tree Hotel — a welcome event as demonstrated by the near overflow audience.

“It is a pleasure to bring the China Conference back to Los Angeles,” said *CBN* Publisher Peter Hurme, who recounted how the original event was scheduled for Sep 11, 2001, but had to be postponed due to the terrorist attacks that day on the World Trade Center in New York and the Pentagon in Washington, DC.

Michael Christianson, director of development for the Port of Los Angeles, seconded Hurme’s observation about the

aptness of the location and expressed the port’s pleasure in being the principal sponsor of the event.

Underlining the East Asian country’s importance, Christianson noted that China is the primary trading partner for the Port of Los Angeles and that in 1996-2006, the port saw a 388% increase in container trade from China. But he noted that “more is coming” due to the “tremendous” amount of infrastructure now coming together in China.

The Chinese way

Before introducing the keynote speaker, Manuel “Manny” Menendez III, Hurme told the audience of changes within the Northwest Publishing Center, most notably a change in

the name of the firm’s oldest magazine from *Marine Digest & Cargo Business News* to *Cargo Business News*.

Hurme also noted the importance of the conference at this time, saying that the China market has become mature “quite rapidly” and that the country represents something of a “roller coaster ride” for firms doing business there. Still, as Hurme said, there is “plenty of energy” in China, especially among its people.

Menendez, founder of MCM Group Holdings Ltd., started going to China in 1978 and insisted that there “is no comparison in modern history to China’s economic growth” and that there has been some \$55bn in investment in the country since 2003.



Menendez took issue with many claims against China, not least that its goods are now swamping the US and other Western nations. Menendez reminded his audience that it is foreign firms – not Chinese firms – that lead the manufacturing sector and ship their goods from China.

At the same time, he noted that the US government restricts the types of goods that can be sold to China. “We cannot sell certain products to China due to restrictions,” he said, adding that high-tech goods in particular are targeted.

Menendez also made clear his view of how to do business in China. “You can’t do ‘the American way’ in China,” he said. “You have to respect the Chinese way of doing things.”

China central to trade

Philip Damas, director, supply chains advisors division, Drewry, spoke next and – as did many of the speakers during the day – insisted that trade with China is far from over and is now absolutely “central.”

Damas noted there are a number of key issues affecting logistics in the country, not least, the rising cost of labor in the coastal regions. That may make labor cheaper farther inland, but that in turn has exposed certain problems with the country’s logistical systems.

Damas said that logistics in China is “difficult,” but that it can be improved. He said that logistics costs in China are high for a number of reasons, including inefficient trucking and rail transport, along with too many trade intermediaries.

Howard Finkel, executive vice president, COSCO Americas, spoke at length about his firm’s new development at Prince Rupert in British Columbia [see report this issue], saying that it represented 2-3 days faster transit time to the US Midwest and East Coast than goods coming through Southern California.

Finkel said the China market just about “dwarfs” every other market, and he said that the Southern California gateways of Los Angeles and Long Beach – which have seen double-digit growth over the past two years – would not be able to keep up with the influx of container traffic coming across the Pacific.

Is it real?

Rick Knee, senior writer, *Cargo Business News*, moderated a panel discussion on the importa-



tion of Chinese clothing and textiles into the United States.

Janet Labuda, director of Customs’ Textile Enforcement and Operations, US Customs, began the discussion, noting the increasing dollar value of Chinese clothing and textile imports to the United States.

Labuda underlined the value of the trade to each country, noting that the US is the world’s greatest importer of clothing and textiles, while China is its main supplier at 38% of the volume and 33% of the value in dollar terms.

Ilse Metchek, executive director, California Fashion Association, drew attention to two main issues concerning the importation of clothing from China: Is it safe and is it really the brand it claims to be? According to Metchek, more than 25% of China’s products are counterfeit.

Robert Krieger, president, Norman Krieger Inc., picked up – and took issue with – elements of Labuda’s discussion, and also offered clarifications of the processes by which goods are passed through US Customs.

Bruce Berton, officer and director of international business consulting, Stonefield Josephson Inc., noted that importers of clothing and textiles especially want competitive cost, proper quality of specifications as ordered, and on-time delivery.

The US-China highway

George Cunningham, executive editor, Cunningham Report, moderated the next panel discussion, which focused on the China-US

highway and what is being done to expedite the movement of goods from Chinese manufacturers to US markets.

Edward Romanov Jr., president and chief operating officer, The Allen Group, gave a systematic overview of the various alternative routes to the main US West Coast gateways now being proposed.

Romanov paid particular attention to new trends taking place that affect the movement of cargo, such as larger ships, limited ability to expand the LA-Long Beach port complex, and large distribution centers – along with improved inventory control techniques.

John Cheng, honorary advisor, China Container Railway Transport Center Ltd., said that “everyone is complaining

about container volumes coming out of China” and that developing China’s rail system is a “big job” due to the inhospitable terrain.

Cheng also drew attention to the development of some 18 logistics parks, 40 intermodal terminals, and 100 or more container-handling facilities in the country, which aim at speeding up the flow of cargo throughout the country.

Jon Poelma, senior director, Pacific services, Maersk Line, addressed a number of issues in China, not least what he called its “fragmented” modes of transport, which are in need of consolidation.

Gaps in the US too

At the same time, Poelma drew attention to gaps in the US transport system, particularly in Southern California where the move count is lower than either China or the US East Coast, noting that 36% of cargo entering the LA-Long Beach port complex heads to areas outside of the region.

Steve Branscum, group vice president, consumer products, BNSF, commented on the fact that the concept of port capacity is not well understood in the US. Branscum noted the need for improved infrastructure and advocated that tax incentives for private industry are superior to public/private partnerships.

The lunchtime keynote address was provided by Pat Boot, senior vice president, Asia operations, ProLogis, who noted the growth in China of domestic consumption due to urbanization, the movement of some 300mn people to urban areas from the countryside,

and the emergence of 100mn middle- and upper-middle class consumers.

China's opportunities

Andrew Pan, chief representative, the North American representative office of Shenzhen, P.R. China (NAROS), gave an update on developments in the Port of Shenzhen, saying that some 50 liner companies now work at the port, where labor costs are about one-third as much as in neighboring Hong Kong.

Although the two ports are competitors, together they comprise the world's biggest port. Indeed, Pan suggested that the two ports already function very closely since "80% of Hong Kong's cargo goes through Shenzhen City."

Dave Hoppes, senior vice president, ocean services, Matson, gave a detailed talk about his firm's successful service linking Shanghai and Los Angeles, saying that such success comes from finding people "who understand the culture" in China.

Hoppes said his firm is "treated better than we deserve" in China, and that firms hoping to do business in the country need to "build a relationship with the government." Indeed, he underlined the need to be "sensitive" to the government.

M.K. Wong, director, reefer trade, OOCL, drew attention to the gaps in China's understanding of — and practices in — moving food along a securely maintained cold food chain.

Illustrating his talk with photographs of outdated technology, Wong said China's compliance program is "questionable" and "not uniform," adding also that testing and monitoring are "inconsistent." Still, he said, while China's quality control is lacking, it can be changed and improved.

Quality control at issue

Hud Warren, principal, ChinaWest LLC, kicked off the second day of the conference with a discussion focused on the need of business people to see and experience China for themselves. "Go over there. Meet the people. See their facilities. Meet their customers. Get an agent that can work in both cultures."

Charlie Woo, co-founder and CEO, Mega-toys, took on the more topical issue of quality control in China's toy-making industry, drawing attention in particular to the difficulties faced by the US toymaker Mattel. "If Mattel could have such issues," Woo said, "then it could happen to anyone."

Woo stated the China's central government

would be well aware of the problems of quality control, and that it would not hesitate to create legislation to ensure such control or to mete out punishment for infractions. However, he noted that local administrations could resist implementing such laws.

Dr. Ralph Appy, director of environmental services, Port of Los Angeles, spoke at length of the impacts of increasing trade on the environment in and around the port — and especially among the populace along transport corridors in the region. "Containerization has allowed globalization," Appy said, "but it also has created environmental challenges."

More energy consumed

China's demand for energy and its impact on global markets was the subject of the talk given by Dr. Kang Wu, senior fellow and head of China Energy Project, East-West Center, and distinguished senior associate, FACTS Global Energy.

Kang drew attention to China's growing consumption of oil, saying it grew by 19.6% in 2004, 10.1% in 2005, 10.4% in 2006, and 9.1% so far in 2007. He said China is now the world's number two consumer of crude oil after the US, but that it still consumes less than one-third of the US total.

Chris Woodward, vice president and managing director—China, Ryder System Inc., and David Bennett, vice president, sales & development, Globe Express Services, provided a two-man panel discussion on China and the 3PL market.

According to Woodward, the leading complaint of logistics customers is the lack of

reliability, especially in trucking, followed by low-quality warehouse management.

He said the trucking market consists of 9mn trucks but is "fragmented," due to the more than 6mn "mom and pop" outfits in addition to some 30,000 official trucking companies.

Time to learn

Bennett looked closely at China's furniture manufacturing sector, saying that it has become the top global source for furniture. He said that China supplies 55% of the furniture imported into the US, while 37% comes from the other top 10 countries and just 7% from the rest of the world.

MBA students and faculty from the Marshall School of Business, University of Southern California, gave a presentation on their study into ways of raising the profile of Shenzhen City.

They had three main recommendations: increase the budget for Shenzhen Representative Offices in key FDI regions; create a Better Business Bureau; and create an image for the city.

Rounding out the conference was the closing keynote speaker, Wei Wang, author of *The China Executive*. Taking exception to mistaken Western notions about China, Wei drew on his own personal experiences — as well as those of his extended family — in the development process.

Wei noted that China has risen in recent decades — to say nothing of earlier centuries — due to what it has learned from the West. Now, he said, it is perhaps time to see what the West can learn from China. ■



