From Acquisition of OOIL to China's Ocean Strategy

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Ever since the sixteenth century, whoever controls the oceans, controls the world. For China to become an influential power on the world stage, she would have to take her stride to the sea. Noticing the centrality of shipping industry to maritime presence, China has been purchasing Hong Kong companies for their international reputation and Orient Overseas was one of their latest additions. As Susan Strange, the founding mother of international political economy, once said, transport and trade forms the backbone of a secondary power structure. In other words, China's economic prosperity depends on these two industries.

Listed on Hong Kong Exchanges, Orient Overseas (International) Limited (OOIL) was an international shipping and logistics company found by the father of Hong Kong's first chief executive, Tung Chao Yung, in 1969. In July 2017, China COSCO and Shanghai International Port Group has agreed to buy 68.7% of OOIL's shares with HK$338 billion.

As of late, OOIL has established and maintained an extensive international clientele. In November 2006, it had sold its terminal division to Ontario Teachers' Pension Plan Board for US$2,350 million in cash, with assets ranging from Deltaport and Vanterm in Port of Vancouver to New York Container Terminal and Global Container Terminal in New Jersey. In April 2012, it has signed a 40-years lease on Middle Harbor in Long Beach. With a history of mutual trust with western nations, OOIL has enjoyed much smoother negotiations with them compared to its Chinese cousin, an edge that will only be more valuable as globalization marches on.

In 2012, OOCI was awarded Top Carrier of the Year by the Agriculture Transportation Coalition in North America, evident to the trust placed upon it. However, once COSCO's take-over went into place, it would become the largest shipping company between Asia and Northern America. Allowing a Chinese national company to dominate the logistics between two continents would be a big blow to the western world, therefore, while the current market share has yet to reach monopoly, the purchase of OOIL would still require the approval of antitrust agencies.

Since 2008, the logistic industry has been suffering from a long-going depression and firms have to resort to merging together to better utilize the economy of scale. An arms-race of market share has already been burning white-hot when COSCO announces its plan to purchase OOIL. Naturally, a bold move at a critical time can only yield an explosive reaction. The scenario of Chinese national companies imposing their will on the pacific is a nightmarish one for the west and protectionism is bound to ascend as a major agenda as china continues its shopping spree.

On the other hand, the United States has confirmed its suspicion of China encroaching into its sphere of economic influence. On top of protectionist policies such as trade quotas and tariffs, the states had signed a list of trade agreements with its allies to blockade China and put a stop to its expansion.

To COSCO, the acquisition of OOIL added a foreign branch into the previously internally-focused company. On top of that, it is crucial to the state-owned enterprise effort to break into the western market. Despite of the troubles surrounding the purchase, investors remained confident with OOIL as its shares only dipped by 0.21% on 26th of July, 2017. However, the suspicion of monopoly would rouse the western states into protectionism and put China into an even more difficult position. Of course, there were other viable ways for Chinese enterprises to bypass these barriers.

In terms of commercial ethics, there is a lot of room of improvement for Chinese enterprise, such as compliance to local commercial law, monitoring of construction progress and cooperation with the local community. It can be said that OOIL is a textbook example of foreign investment, with its numerous projects in the west, it had maintained its service quality, and stay on the local's good side. The acquisition has rocked the logistic world and would have inevitably further the trend of merger and acquisitions (M&A) in the industry.

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