Current Chinese Economic Report Series

Bing-lian Liu
Shao-ju Lee
Ling Wang
Xiang Li
Jian-hua Xiao *Editors*

Contemporary Logistics in China

Consolidation and Deepening

Springer

Current Chinese Economic Report Series

For further volumes:
http://www.springer.com/series/11028

Bing-lian Liu • Shao-ju Lee • Ling Wang
Xiang Li • Jian-hua Xiao
Editors

Contemporary Logistics in China

Consolidation and Deepening

Springer

Editors
Bing-lian Liu
The Research Center of Logistics
Nankai University
Tianjin, China, People's Republic

Shao-ju Lee
The Research Center of Logistics
Nankai University
Tianjin, China, People's Republic

Ling Wang
The Research Center of Logistics
Nankai University
Tianjin, China, People's Republic

Xiang Li
The Research Center of Logistics
Nankai University
Tianjin, China, People's Republic

Jian-hua Xiao
The Research Center of Logistics
Nankai University
Tianjin, China, People's Republic

ISSN 2194-7937 ISSN 2194-7945 (electronic)
ISBN 978-3-642-34524-1 ISBN 978-3-642-34525-8 (eBook)
DOI 10.1007/978-3-642-34525-8
Springer Heidelberg New York Dordrecht London

Library of Congress Control Number: 2013949682

Preface

This book is the third volume in the series entitled "Contemporary Logistics in China," authored by researchers in the Logistics Center at Nankai University. In the spirit of the two predecessor volumes, published in previous years, this book carries on the ideal of providing a systematic exposition of the logistics development in China to the English-reading community at large. Our ultimate aim and desire is to present a timely portrayal of the rapid pace of growth of China's logistics market and the status of its logistics industry's evolution. In so doing, we strive to offer an in-depth analysis of the hot issues and the dilemma amid the ongoing dynamic and multifaceted development and a source of reference for interested readers in the academic and professional fields.

The present work is founded on the research findings of a score of scholars in the Logistics Center, in writing the most recognized "Annual Logistics Report in China" (referred to as the *Blue Book*), published in Chinese for the past ten years. The *Blue Book*, acclaimed by knowledgeable readers of the field as the most systematic and authoritative research report of its kind, prides itself in combining data integrity, analytic rigor, and fresh perspectives. This series of books in English, though created as a companion publication, possesses these unique characteristics in terms of themes, coverage of subjects, and orientations to afford the English readers a balanced view on the contemporary logistics of China.

This book comprises 13 chapters, organized into four sections. The introductory section, consisting of four chapters, depicts the current development status of the logistics environment, the logistics market, the logistics infrastructure, and the logistics policies. The first three chapters describe the relevant statistics in a 5-year rolling fashion and give a longitudinal view of the recent trend; they also discuss the latest logistics development in a rapidly changing economic and social environment. Chapter 4 focuses on the policy aspects as the Chinese Government heightens its emphasis on transforming and strengthening the logistics industry. Major policy issues put forward in the "12th Five-Year Plan" and the "National Nine-Guidelines" are outlined to give a glimpse of the mindset of the Central planning agencies.

Section 2 turns the attention to the logistics development of three regions—the Pearl River Delta, the Wuhan Metropolitan Cluster, and the Inner Mongolia Autonomous Region. The Pearl River Delta has played a locomotive role in China's booming economic growth in the past decades; it is now leading the way in integrating multiple modes of land, ocean, and river transport and international collaboration. The Wuhan Metropolitan Cluster, with its solid industrial base, inland ports, and sprawling transportation network, has become a key area which the Government is leveraging to bolster the overall development of the Central Region. The economic and logistics development in Inner Mongolia has witnessed a notable rise in recent years as its distinctive industries in energy, metallurgy, and agriculture have been enhanced; increased trade at border ports also points to further needs in improving the logistics channels.

The third section addresses the logistics characteristics of three rapidly expanding industries in China—the e-commerce industry, the chain business, and the medicine industry. The modes of logistics operations, the specific logistics requirements, the supply chain relationships, and the development trend of these industries are analyzed respectively as these industries grow and prosper in modern society. The final section, consisting of three chapters, discusses some hot logistics topics in China. Chapter 11 accounts the essential subject of logistics cost in China—the components and their relative weights, the upswing of logistics cost, and the plausible means of curbing the escalation. The next chapter is on the promulgation of coordinated development of manufacturing and logistics. This closer collaborative relationship, evolved gradually among firms in the two sectors, has been vigorously promoted by the Government recently. The chapter reports on some encouraging results from various pilot studies and notes certain points for improvement. The last chapter of this section presents the development of the cross-border logistics system of inland China. China has a long inland border with many neighboring countries and complex political and economic relationships. As logistics nodes and channels along the border have been established and improved, numerous operational modes of cross-border logistics are also being implemented.

Besides being unique in nature and comprehensive in content, this book possesses several outstanding features. Firstly, the topics in Sects. 3 and 4 are carefully chosen to reflect the current hot topics in China's logistics scene. Subjects on chain business, medicine industry, rising logistics cost, collaborative development of manufacturing and logistics enterprises, and cross-border logistics are studied and analyzed in depth to provide the readers a fair understanding and a solid basis for further research on these subjects. Secondly, Section 2 focuses on three key areas mentioned above as flourishing representatives in the Eastern, Central, and Western Regions; the placement, the traits, and the development status of the logistics industry in each region are critically explored. Finally, the analyses presented in this book are both quantitative and qualitative in nature. Relevant data are obtained via appropriate published sources, expert interviews, and market surveys; conclusions are drawn based on a careful analysis and synthesis of the objective and subjective information.

As much as we strive to make this series of books a useful source of information and a handy tool for grasping the vibrant logistics development in China, we are well aware of our limitations inherent in such an endeavor. We earnestly welcome your suggestions and comments in making this effort worthwhile for all our valued readers.

Contents

List of Chapter Editors

Chapter 1	Zhilun Jiao, Nankai University
Chapter 2	Xiaomei Jiang, Tianjin Normal University
Chapter 3	Fan Qin, Nankai University
Chapter 4	Kena Li, Nankai University
Chapter 5	Ya Xu, Nankai University
Chapter 6	Yong Liu, Nankai University
Chapter 7	Jianhua Xiao, Nankai University
Chapter 8	Zhilun Jiao, Nankai University
Chapter 9	Xiang Li, Nankai University
Chapter 10	Lanbing Li, Nankai University
Chapter 11	Ling Wang, Nankai University
Chapter 12	Weihua Liu, Tianjin University
Chapter 13	Jun Liu, Nankai University

Chapter 1
China's Logistic Development Environment

Zhilun Jiao

In 2011, China continued to accelerate the changes to its pattern of economic growth, reinforcing and improving its macro-control policy, and maintained a steady and rapid development of its national economy. It issued the *Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic of China* and various supplementary policies to encourage and unify the development of its logistics industry and build up a favorable policy environment for this industry.

This chapter describes the macro-economic and policy environment of China's logistic development. The first section sets out the economic environment for China's logistics in aspects of national economy, international trade, fixed asset investment, domestic demand, regional economy and production factor price. The second section depicts the policy environment for China's logistics development under the "Twelfth Five-Year Plan," as well as major logistics policies, industrial policies, regional policies and energy conservation and emission reduction policies.

1.1 Economic Environment for China's Logistics Development

In 2011, the world economy underwent a tough and tortuous recovery under the impact of international financial crisis. China continued to accelerate the conversion of its economic growth pattern and maintained a steady and rapid growth as a whole. The Government actively encouraged consumptions, investments and imports and exports, propelling the nation's economy and further boosting the coordinated development of its regional economy. Under such an economic environment, China's logistics industry has also realized a steady pace of growth.

Z. Jiao (✉)
The Research Center of Logistics, Nankai University,
Tianjin, China, People's Republic
e-mail: jiaozhilun2002@hotmail.com

B.-l. Liu et al. (eds.), *Contemporary Logistics in China: Consolidation and Deepening*,
Current Chinese Economic Report Series, DOI 10.1007/978-3-642-34525-8_1,

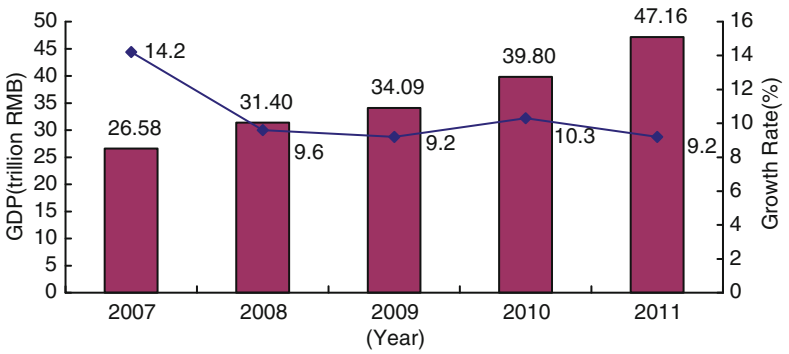

Fig. 1.1 China's GDP and Growth rate for 2007–2011 (Source: Compiled from the *China Statistics Yearbook (2011)* and related data in the *2011 China Statistical Bulletin of National Economic and Social Development*, published by the National Bureau of Statistics of China, 2012-2-22)

1.1.1 Smooth Adjustment of National Economy

China's overall national economy maintained a rather rapid growth in 2011. But compared with that in 2010, the growth rate declined slightly. The annual gross domestic product (GDP) amounted to 47.2 trillion RMB,[1] ranking second in the world. The year-on-year growth rate, calculated in comparable price, is 9.2 %, which is 1.1 % points lower than that in 2010. The GDPs and growth rates for 2007–2011 are shown in Fig. 1.1.

In recent years, investments and consumptions have been the major driving force to China's economic growth; the pulling effect of consumptions to GDP has risen gradually, while under the impact of international financial crisis, the pulling effect of imports and exports has weakened. Figure 1.2 shows the contribution ratio of investments, consumptions and imports and exports to GDP growth. In 2011, the gross capital formation still took the highest proportion at 54.2 % in the contribution ratio to GDP growth. The contribution ratio of final consumption reached 51.6 %, increasing by 14.3 % points compared to 2010, evidencing that the pulling force of consumption has been further enhanced. Affected by international economic fluctuation, the contribution ratio of China's goods and service net export was −5.8 % in 2011.

[1] Unless specified otherwise, all statistical data and conclusions in the report are for China Mainland, not including Hong Kong, Macao and Taiwan. For the logistic development in Hong Kong and Taiwan, please refer to the 2011 edition of the report (Binglian Liu etc. "Contemporary Logistics in China: An Introduction," pp. 102–144, published by World Scientific, Singapore, 2011.) The logistics industry for Macao is not accounted for due to its limited area coverage and an economy predominantly induced by the gambling industry.

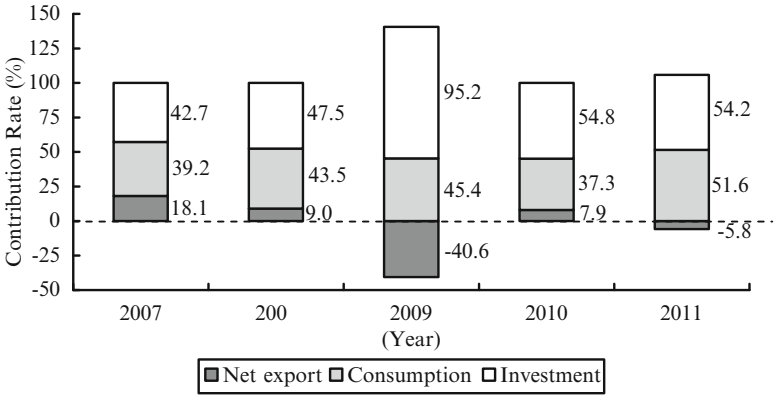

Fig. 1.2 Contributions of three major sectors to GDP growth for 2007–2011 (Source: Compiled from the *China Statistics Yearbook* (2010) and information released at the press conference on China's economic performance in 2011 by Ma Jiantang, the Commissioner of the National Bureau of Statistics in China)

In 2011, China's logistics industry realized a steady growth. Total value of social logistics[2] reached 158.4 trillion RMB, with a year-on-year growth of 12.3 %, calculated in comparable price. However, compared to 2010, the growth rate of total value of social logistics declined by 2.7 % points. The national logistics added value was 3.2 trillion RMB, with the year-on-year growth of 13.9 %, calculated in comparable price, representing a growth rate 0.8 % points higher than that in previous year.

1.1.2 Slowdown of the Growth of International Trade

In 2011, the world economy was slowly recovering from the international financial crisis of the previous years; the developed economies saw a sluggish growth and the emerging economies also slowed down their growth. According to data published by the International Monetary Fund (IMF),[3] the growth rate of world output in 2011 was 3.8 %, down by 1.4 % points compared to the previous year; of which the emerging and developing economies held a growth rate of 6.2 %, while that of the advanced economies was only 1.6 %. These growth rates represent the decrease of 1.1 and 1.6 % points, respectively, compared with those in 2010. The GDP growth rates of China's principal trade partners—the United States, Germany, Britten, France and Japan were 1.8 %, 3.0 %, 0.9 %, 1.6 % and –0.9 %, respectively.

[2] Total value of social logistics refers to the total value of all items that enter the social logistics for the first time and have been or are being delivered to the final users through logistics services during a certain period.

[3] "Global Recovery Stalls, Downside Risk Intensifies," World Economic Outlook, published by the International Monetary Fund (IMF), Washington DC, 2012-1-24.

Table 1.1 Growth rate of world trade volume (goods and services) (2008–2011) (Unit: %)

Year	World trade volume (goods and services)	Import		Export	
		Advanced economies	Emerging and developing economies	Advanced economies	Emerging and developing economies
2008	2.8	0.5	8.9	1.8	4.4
2009	−10.7	−12.4	−8.0	−11.9	−7.5
2010	12.7	11.5	15.0	12.2	13.8
2011	6.9	4.8	11.3	5.5	9.0

Source: Compiled from the *World Economic Outlook (2010–2012)* by the International Monetary Fund

In 2011, the growth of world trade volume fell significantly. The annual growth rate of goods and services trade volume was 6.9 %, dropping by 5.8 % points compared with that in 2010. Table 1.1 shows the growth of imports and exports in advanced economies, and emerging and developing economies for 2008–2011.

In 2011, China's total volume of imports and exports has kept a steady growth, but with a declined rate than that of the previous year. The annual total volume of imports and exports was 3.64 trillion USD, showing a year-on-year growth of 22.5 % and declined by 12.2 % points. The exports amounted to 1.89 trillion USD, with a year-on-year growth of 20.3 %; the imports amounted to 1.74 trillion USD, with a year-on-year growth of 24.9 %. The total net exports were 155.1 billion USD, decreased by 28.0 billion USD from the previous year, and causing a reduction in trade surplus.

Under the impact of declined growth of total imports and exports volume and the price hike of international bulk commodities, China's international logistics market slowed down its growth in 2011. The total cargo throughputs for ports above designated scale were 9.07 billion tons, increasing by 11.9 % over the previous year, with the growth rate declined by 3.1 % points. Among which, the cargo throughputs of foreign trade were 2.75 billion tons, increasing by 10.8 % over the same period last year, with the growth rate declined by 2.8 % points. The container throughputs of ports above designated scale were 162.31 million TEUs, increasing by 11.4 %, with the growth rate declined by 7.4 % points. The cargo and mail transport volumes of China's civil airports were 5.53 million tons, decreasing by 1.8 % over the same period last year. Among which the cargo and mail transport volumes of international routes were 1.76 million tons, decreasing by 8.4 % over the same period last year. And the cargo and mail transport volumes of Hong Kong-Macao-Taiwan routes were 207,300 t, decreasing by 4.3 % over the same period last year.

1.1.3 Sustained Growth of Fixed Asset Investment

The total fixed asset investment for 2011 was 31.1 trillion RMB, increasing by 23.6 % over the previous year, with a slightly reduced growth rate; of which the investments in the Eastern Region, the Central Region, the Western Region and the

Northeastern Region were 13.03 trillion RMB, 7.22 trillion RMB, 7.58 trillion RMB and 3.27 trillion RMB, respectively, amounting to increases of 20.1 %, 27.5 %, 28.7 % and 30.4 % over the previous year.[4]

By 2010 the government initiated national investment plan with the total amount of 4 trillion RMB,[5] which allotted a substantial portion of the funds to transportation infrastructure, had been dispensed. The growth rate of investments in China's transport field in 2011 fell back to the previous level. The nationwide fixed asset investment in the industries of transport, storage and post over the whole year was 2.73 trillion RMB, representing a mere growth of 1.8 % over the previous year, and a drop of 17.7 % points. The fixed asset investment in highway and waterway transport was 1.45 trillion RMB, increased by 9.5 % over the previous year with the growth rate declined by 9.1 % points; the investment in railway was 590.6 billion RMB, declined by nearly 30 % compared to 2010. The investment in civil aviation infrastructure and technological transformation was 68.8 billion RMB, increased by 6.4 % compared to 2010, with the growth rate declined by 2.3 % points.

1.1.4 Substantial Growth of Domestic Consumption

In 2011, China's domestic consumption grew substantially. The total retail sales of social consumer goods reached 18.39 trillion RMB, increasing by 17.1 % over the previous year. Among which the retail sales of urban consumer goods was 15.96 trillion RMB, increased by 17.2 %, with a year-on-year growth declining by 1.5 % points; while the retail sales of rural consumer goods was 2.44 trillion RMB, increased by 16.7 %, with a year-on-year growth increasing by 0.5 % points. Figure 1.3 shows the total retail sales of social consumer goods and the growth rate for 2007–2011.

Specifically, the consumption of various main articles for daily use maintained its growth. The growth rates in retail sales of these categories are as follows: automobile products (14.6 %), cereals and oils (29.1 %), meats, poultry and eggs (27.6 %), clothing (25.1 %), traditional Chinese and western medicines(21.5 %), home appliances and audio-visual equipment (21.6 %), furniture (32.8 %), building

[4] According to the economic development level, the geographical environment and historical continuity, China's territory is grouped into Eastern, Central, Western and Northeastern regions. The Eastern region includes Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan; the Central region covers Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan; the Western region contains Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang; and the Northeastern region consists of Liaoning, Jilin and Heilongjiang.

[5] In November 2008, to cope with the impact of international financial crisis on China's economy, the Chinese Government proposed an economic stimulus package with a total investment of 4 trillion RMB in 2009 and 2010, with the purpose of boosting China's economic growth. Please refer to pp. 9–10 of the 2011 edition of the report (Binglian Liu et al. "Contemporary Logistics in China: An Introduction," World Scientific Publisher, Singapore, 2011) for detailed information.

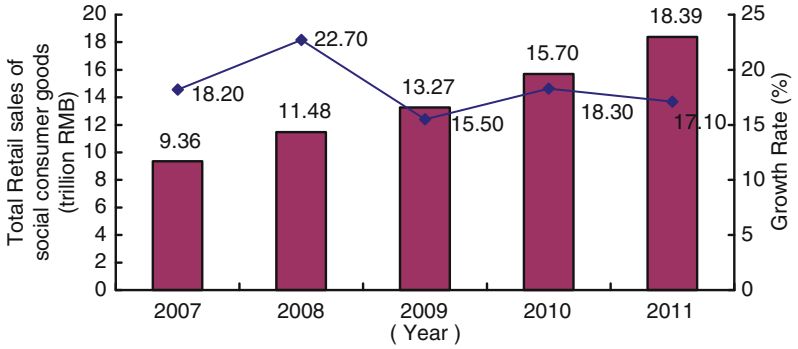

Fig. 1.3 Total retail sales of consumer goods and growth rate for 2007–2011 (Source: Compiled from the *2007–2011 China Statistical Bulletin of National Economic and Social Development*, published by the National Bureau of Statistics of China)

and decoration materials (30.1 %). In 2011, China continued to implement the economic stimulus plan of "Home Appliance to the Countryside",[6] selling more than 103 million units of home appliances and achieving a sales volume of 264.1 billion RMB. The subsidy program of "Old-for-new Home Appliances" sold 92.48 million units of new home appliances in five major categories, inducing a direct consumption of 342.0 billion RMB.

Sustained growth of domestic consumption demand generated a huge demand for logistics. As for the composition of total logistics values, in 2011, the total logistics value for industrial products was 143.6 trillion RMB, with a year-on-year growth of 13.1 % in comparable price; the logistics value for import cargoes was 11.2 trillion RMB, with a year-on-year growth of 4.3 % in comparable price; the total logistics values for agricultural products, renewable resources, and institutions and residents logistics increased by 4.5 %, 20.4 % and 18.3 %, respectively, from the previous year.[7]

1.1.5 Gradual Adjustment of Regional Economic Pattern

China has long exhibited an unbalanced pattern of economic development among its Eastern, Northeastern, Central and Western regions. In recent years, under the impacts of slowing export growth and the rising price of land, capital, labor force

[6] In 2009, the Government subsidized all citizens to buy new home appliances, effectively stimulated the production and sales of home appliances.

[7] In terms of the primary source of domestic products, within certain period, the items entered into logistics field, required logistics service and delivered to final users are mainly divided into the following five categories: (1) total value of agricultural products logistics; (2) total value of industrial products logistics; (3) total value of import cargoes logistics; (4) total value of renewable resources logistics; and (5) total value of institutions and residents logistics.

and other factors, the coastal area in the Eastern Region has been enhancing its economic transformation and structural adjustment; the economic growth in this area has experienced a slowdown. Whereas driven by the "Great Westward Development", the "Northeastern Area Revitalization Plan", the "the Propeller Development of the Central Region," and other regional strategies,[8] the pace of economic growth in the Central and Western regions has been notably accelerated. The economic outputs of the Central, Western and Northeastern regions account for a higher proportion in the nation's total economic output, while that in the Eastern Region shows a downward trend. Table 1.2 shows the regional GDP of the four regions and their proportions in national GDP for 2006–2010.

Along with the re-alignment of the national economic pattern, China's logistics industry also manifested the trend of coordinated development of different regions. The continuing improvements of different regional and inter-regional logistics channels facilitated the gradual enhancement of logistics linkage among different regions. In the Eastern region, the west-straits economic zone in Fujian Province, and the coastland of Jiangsu Province took positive measures in re-coordinating the development of its regional logistics; while in the Central and Western regions, Chengdu, Chongqing, Wuhan, Zhengzhou, and other regional key cities also further strengthened their radiating capacity in logistics. In addition, the connection between inland and coastland was strengthened and a congruent development trend was gradually emerging. For example, through the construction of "dry ports," the connection between coastal ports and inland, the convenience of customs clearance and the transshipment of inland goods were achieved. "Dry ports" were continually expanded in Qingdao, Ningbo, Guangzhou and Tianjin. At the beginning of 2012, Tianjin Port had already developed 21 "dry ports" covering 21 cities in 11 provinces and regions.

1.1.6 Continual Upswing of Production Factor Price

In 2011, China's price level continued to rise steadily. For industrial products, the producer's price index (PPI), the industrial producer's purchasing price and the PPI of capital goods increased respectively by 6.0 %, 9.1 % and 6.6 %; for consumer goods, the CPI throughout 2011 increased by 5.4 %, including the 16.5 % increase of the production price for agricultural products.[9] Figure 1.4 shows the year-on-year growth of monthly CPI and PPI in 2011.

[8] China carried out the strategy of priority development in the eastern coastal area, helping to first develop the Eastern region since 1978. The Great Westward Development move implemented since 1999 has been pushing forward the economic development of the vast Western region. After 2000, china also carried out the "Northeastern Area Revitalization Plan," "the Propeller Development of the Central Region," and other regional strategies.

[9] The production price of agricultural product refers to the price of agricultural product sold by the producer, i.e., the primary sale price of agricultural product.

Table 1.2 Regional GDPs of four major regions and their proportions in National GDP for 2006–2010 (Unit: trillion RMB)

	2006		2007		2008		2009		2010	
Region	Regional GDP	Proportion in GDP (%)	Regional GDP	Proportion in GDP (%)	Regional GDP	Proportion in GDP (%)	Regional GDP	Proportion in GDP (%)	Regional GDP	Proportion in GDP (%)
Eastern	12.92	55.5	15.40	55.1	18.04	54.1	19.67	53.8	23.20	53.1
Central	4.35	18.7	5.30	18.9	6.40	19.2	7.06	19.3	8.61	19.7
Western	4.03	17.3	4.92	17.6	6.04	18.1	6.70	18.3	8.14	18.6
Northeastern	1.98	8.5	2.36	8.4	2.84	8.5	3.11	8.5	3.75	8.6

Source: Compiled from the *China Statistical Yearbook* (2007–2011), published by the National Bureau of Statistics of China

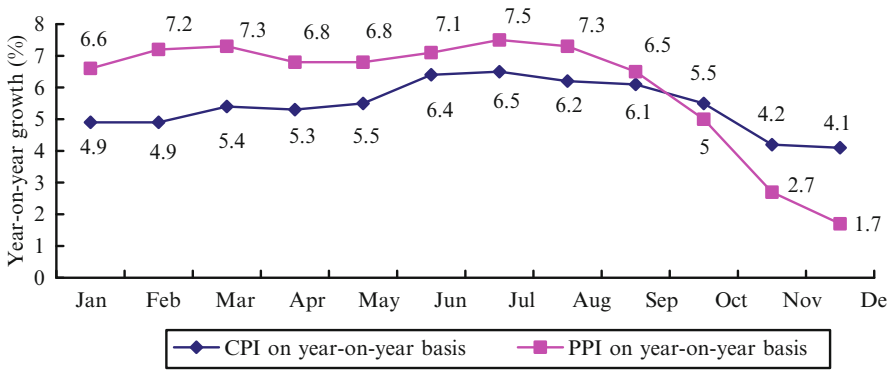

Fig. 1.4 Year-on-year growth of monthly CPI and PPI in 2011 (Source: Compiled from the data published by the National Bureau of Statistics of China. http://finance.people.com.cn/GB/16857974.html)

Owing to the increasing prices of various production factors in China, the logistics industry was impacted with considerable cost pressure in 2011. The first factor is the rising price of product oil throughout the year, which had three price hikes respectively in February, April and October of 2011. The prices of gasoline and diesel fuel increased to 550 RMB and 450 RMB per ton; the price of #93 regular gasolines in Beijing reached a level of 7.61 RMB/l. The second factor is the high labor cost and land cost. The sampling survey by the National Bureau of Statistics shows that the per capita wages of urban residents was 15,412 RMB in 2011, increased by 12.4 % compared to last year. According to the communiqué of the Ministry of Land and Resources, the average leasing cost of land in China was 600 RMB/m^2 in 2008, but it jumped to 926.3 RMB/m^2 in 2010, marking a growth of more than 50 %. The total expenses of social logistics[10] in 2011 accounted for 17.8 % of GDP, equaling to that of 2010, signifying that the logistics industry is still operating at high costs.

1.2 Policy Environment for China's Logistics Development

Every 5 years the Chinese Government issues an economic and social development plan, which focuses mainly on major national construction projects, productivity allocation and the key ratios of the national economy, so as to set goals and directions for the development of the national economy. The year of 2011 marked the beginning year of the *Twelfth Five-Year Plan for National Economic and Social*

[10] The total expenses of social logistics refer to various expenses for external logistics activities in various aspects of the national economy within a certain period.

Development (hereinafter referred to as the "Twelfth Five-Year" Plan). This Five-Year Plan stipulated and affirmed the general tenets of the national development and the key operating issues, including the directives to vigorously develop a modern logistics industry for the upcoming period. The Central and local governments also published a number of industry-specific plans and regional development plans. Furthermore, considering the outstanding problems confronting logistics development, China timely issued the *Opinions of the General Office of the State Council on the Policies and Measures for Promoting the Sound Development of the Logistics Industry* (hereinafter referred to as the "Opinions"), providing an encouraging impetus to the sound development of China's logistics industry.

1.2.1 The "Twelfth Five-Year" Plan

In March 2011, China officially promulgated the "Twelfth Five-Year" Plan, ascertaining the general context of its national economic development. The content in the Plan which relates to China's logistics development includes the following aspects: (1) establishing socialized, professional and informationalized logistics service systems; (2) strengthening the construction of and connection among logistics infrastructures; (3) pushing forward the logistics development in agricultural products, bulk minerals, major industrial products and other key fields; and (4) optimizing the regional structure for logistics development and improving the level of logistics intelligence and standardization. These aspects embody the key fields of China's logistics development for the next 5 years.

In addition, the Plan proposed to build up a comprehensive traffic and transport system, improve the overall level of informatization, actively develop electronic commerce, vigorously expand professional logistics for grains, business, foreign trade and military affairs. It also called for an overall plot to facilitate the transformation and upgrading of the logistics industry, as well as its scientific development, and deployed the main contents and key tasks for the transformation and upgrading of the logistics industry.

1.2.2 Policies on Logistics Industry in the "Nine Guidelines"

The State Council promulgated the *Opinions on the Policies and Measures for Promoting the Sound Development of the Logistics Industry* (hereafter referred to as the "National Nine Guidelines") in August 2011, which listed the States' guiding opinions in nine aspects: taxation, land resources, highway toll charges, logistics management system, integration of industrial resources, technological innovation and application, funding support, agricultural product logistics and organizational coordination. The "Nine Guidelines" is another national-level special policy for macro-steering China's logistics development. Its promulgation and implementation

will not only reduce the burden of logistics enterprises and total social logistic costs, but also bring forth important effect in improving the operating efficiency of the national economy.

After the promulgation and enactment of the "Nine Guidelines," governments of various levels actively followed up and took action with a series of measures.[11] For example: (1) beginning from January 2012, the State Council stipulated that, on a trial basis, the business taxes in traffic and transport industry and certain modern service industries in Shanghai be changed to VAT; (2) on January 20th, 2012, the Ministry of Finance and State Taxation Administration adjusted the tax policy to halve the usage tax of storage facilities on land self-owned by the logistics enterprise; and (3) the Department of Transport (June 2011) carried out several investigative and corrective tasks on traffic and transport charges to assuage unreasonable transport charges and arbitrary fines. By the end of 2011, 18 provinces and regions had abolished certain highway tolls and eliminated 1892 toll stations. These measures have effectively lightened the tax burden of logistics enterprises, regulated the order of logistics market, and thereby exerted a positive effect on relieving the enterprises' cost pressure.

1.2.3 Specific Local "Twelfth Five-Year" Logistics Plans

Since the instatement of the national "Twelfth Five-Year" Plan, Beijing, Tianjin, Zhejiang and some other provinces and cities have successively issued local "Twelfth Five-Year" logistics plans. These local development plans are in line with the general national stipulations, tying in the local economic development characteristics, to put forward the specific goals, ideas and major tasks for the regional logistics industrial development. Beijing's logistics industrial development plan during the "Twelfth Five-Year" period proposes to attract large logistics enterprises to headquarter in Beijing, taking advantage of the Capital's economic territory, and to expand local logistics service functions. The logistics development plan in Hunan Province aims to take advantages of its geographical location in the Central Region and its agriculture industry to develop business logistics, multimodal transport, cold chain logistics, grain logistics and agricultural product logistics. The logistics development plan of Zhejiang Province focuses on boosting its harbor logistics, business logistics and integrated transportation, in view of the advantages attributed to its marine economic development demonstration pilot project and the Yiwu international trade comprehensive reform pilot project.

The enactment of these plans will undoubtedly afford a guiding post in facilitating the transformation and upgrading of local logistics industry, actualizing their regional traits, and strengthening their coordination capability with related industries.

[11] Please refer to Chap. 4 for more details concerning the Nine Guidelines for the logistics industry.

1.2.4 Industrial Plans and Policies

In 2011, the Government issued a number of specific plans for many industries including trade and commerce, postal service, traffic and transportation, medicine, and service trade. The intents of these plans are to guide the direction of industrial development, regulate the industrial supervision and administration, promote the transformation and upgrade of industries, and meanwhile put forward specific requirements for the logistics development in these industries.

For instance, in March 2011, the Ministry of Commerce, the National Development and Reform Commission (NDRC) and the All-China Federation of Supply and Marketing Cooperatives (ACFSMC) jointly issued the *Special Plans on the Development of Trade and Logistics.* The plan proposed to develop the joint distribution of commodities in supermarket chains and promote the construction of inter-regional distribution network for bulk commodities such as industrial products, agricultural products, and production materials.

In July 2011, the State Post Bureau promulgated and implemented the *Twelfth Five-Year Plan for Postal Service* and successively issued a series of specific strategies to normalize the logistics market operations of postal service and express delivery in regard to safety management, merger and acquisition, and business operations.

In April 2011, the Ministry of Transport issued the *Twelfth Five-Year Plan for Traffic and Transport Service*, further stipulating the tenet for logistics development in the transportation industry, addressing aspects in regard to energy saving, emission reduction, and technological advancement. Meanwhile, it also promulgated a number of transportation plans to further normalize the industrial development in the above-mentioned spheres.

In May 2011, the Ministry of Commerce promulgated the *Outline for Development Program of National Pharmaceutics Circulation Industry*, proposing to propel modern medicine logistics development through informatization, to transform the traditional mode of medicine logistics via modern technological means, and thus spearheading the development for professionalized medicine logistics.

1.2.5 Regional Plans and Policies

In 2011, to continue narrowing the gaps in regional economic development and encouraging regional integration and inter-regional cooperation, China issued several regional development plans, such as the *Plan for the Demonstration Zone of Ocean Economic Development of Zhejiang,* the *Regional Planning for Chengdu-Chongqing Economic Zone,* the *Guiding Opinions on Supporting and Accelerating the Construction of the Central Plains Economic Region in Henan,* and the *Planning on Accelerating the Development of Coastal Areas in Hebei.* These plans put forward the overall goals and key tasks for regional economic development, and provided

guidance for regional logistics industrial development as well. Logistics-related contents in these plans can be divided into two categories:

Category 1 is the establishment of regional logistics hubs. For instance, the State Council issued the *Guiding Opinions on Supporting and Accelerating the Construction of the Central Plains Economic Region in Henan* in September 2011, proposing to build up Henan Province into an important modern integrated transportation hub and logistics center in China. In February 2011, the State Council approved the *Plan for the Demonstration Zone of Ocean Economic Development of Zhejiang* and then instituted the Zhejiang Zhoushan Islands District, proposing to establish a transnational logistics base for bulk commodities by taking advantages of the Zhoushan Islands and their deep-water shorelines.

Category 2 is the construction of inter-regional transport channels. In June 2011, the State Council approved the *General Plan on the Construction of the Eastern, Central and Western Regional Cooperation Demonstration Zone,* supporting Lianyungang City of Jiangsu Province to build a regional cooperation demonstration zone linking the Eastern, Central and Western regions, to provide the New Asia-Eurasian Continental Bridge a convenient access to the sea, and to promote the rational flow and optimal allocation of inter-regional resources. In May 2011, the State Council issued The *Opinion on Supporting Yunnan Province to Accelerate the Construction of Vital Bridgehead Open to Southwest China*, proposing to accelerate the pace of building Yunnan into such an important bridgehead and to construct an international land passage to Southeast Asia and South Asia.

1.2.6 Policies on Energy Conservation and Emission Reduction

In 2011, the Chinese Government employed various types of policies to transform its economy to a resource-conserving and environmentally-friendly growth pattern, and enhance the nation's sustainable development capacity. In them, the transportation industry related to logistics was deemed as the key industry for energy conservation and emission reduction.

First, China has adopted taxation and other specific policy measures to encourage energy conservation and emission reduction. In November 2011, the State Council promulgated the *Regulations on implementing the Vehicle and Vessel Tax Law of the People's Republic of China*, stipulating a progressive taxation structure based on the volume of vehicle exhaust, or on the tonnage of the vessel. The Regulations offered preferential treatment in the form of tax exemption or halving the vehicle/vessel tax, for new models of vehicles and vessels that are energy efficient or use new energy.

Secondly, China has utilized special funds to support energy conservation and emissions reduction. In June 2011, the Ministry of Finance and the National

Development and Reform Commission issued the *Notice on Issuing the Administrative Measures for the Financial Incentive Funds for Energy Conservation Technology Retrofits*. The Ministry of Finance and the Ministry of Transport jointly issued the *Notice on Issuing the Interim Measures for the Management of Special Funds for Energy Conversation and Emissions Reductions in the Transportation Industry*. The special funds were mainly used to reward the practices of energy conservation and emissions reduction in logistics-related industries, such as encouraging the technological innovation and project implementation in energy conservation and emissions reduction.

Finally, China has also set up demonstration cities to promote energy conservation and emissions reduction. In June 2011, the Ministry of Finance and the National Development and Reform Commission jointly issued the *Notice on Developing Comprehensive Financial Policy for Energy Conservation and Emission Reduction Demonstration Task* and formulated the *Guiding Opinions on Comprehensive Demonstration Policies for Energy Conservation and Emission Reduction*. Related policies have been demonstrated in Beijing, Shenzhen, Chongqing, and Hangzhou.

1.3 Summary

This Chapter describes the economic conditions and policy settings as the macro environment encountered by China's logistics development in 2011. As for the economic conditions, under the lingering impact of international financial crisis in 2011, China accelerated the transformation of its economic development pattern, further exerted the pulling effect of investments and consumptions upon national economy, and thus was able to maintain a steady and rapid development of its economy. The international trade, fixed asset investment and domestic consumption all maintained an increasing trend but at a declining growth rate. Meanwhile, China has gradually adjusted its regional economic pattern and accelerated the economic development in the Central and Western regions. Affected by the overall price increase, a variety of production factor prices in logistics industry went up and thus heightened the cost pressures of the logistics enterprises accordingly.

Regarding the policy settings, China published the "Twelfth Five-Year" Plan in 2011, providing the general framework for the logistics industry's development in the next 5 years. Meanwhile, China also promulgated and implemented the Nine Guidelines for the logistics industry, pushing forward measures to deal with the nine serious problems in, and to promote the sound development of its logistics industry. Local governments of different levels also issued various industrial and regional plans and policies, stipulating the development emphasis and views related to industrial and regional logistics, and stating the requirements for professionalized development and addressing the distinct features of regional logistics development. In addition, the Government also formulated a number of policies for energy conservation and emission reduction in 2011, to promote the transformation of its economic development pattern in diverse ways.

Chapter 2
Development of China's Logistics Market

Xiaomei Jiang

In 2011, the overall size of China's logistics market continued to grow, yet the growth status of the domestic and foreign trade logistics market is very different, and so is that of the Eastern and Western region's market. Merger and acquisition activities in logistics industry remained active, and domestic logistics enterprises were confronted with significant rise in operating cost and thinning in profits.

This chapter includes three sections. The first section focuses on the changes in logistics indicators like total value and total expense of social logistics in 2011 in comparison with the previous year. This section also provides statistical data regarding these indicators between 2007 and 2010, so as to show the variation trend of the overall size of China's logistics market in recent years. The second section discusses the distinctive features of China's logistics market development in 2011. The third section offers an outlook for China's logistics development trend in 2012.

2.1 Overall Size of China's Logistics Market

In 2011, despite the weak recovery for the world economy, China's logistics market achieved a rather swift growth on the whole with the growth rate of major logistics indicators reaching double digits, due to the robust growth of its domestic economy as well as the impetus of a series of policies and measures taken by the governments at all levels.

X. Jiang (✉)
College of Management, Tianjin Normal University,
Tianjin, China, People's Republic
e-mail: macro04@126.com

B.-l. Liu et al. (eds.), *Contemporary Logistics in China: Consolidation and Deepening*,
Current Chinese Economic Report Series, DOI 10.1007/978-3-642-34525-8_2,