



Study on the Countermeasures for Developing China's International Logistics Industry

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Abstract

The continuous development of China's foreign trade in recent years brings forward new requirements on the efficiency, quality, cost and safety to our international logistics industry. Accelerating the development of our international logistics industry is an imperative choice to follow the trend of globalization. However, the international logistics industry in China is facing problems on the service capability, operation cost, infrastructure construction, professional concept, professional talents, administration system, legal system, and information network etc. This paper proposes some effective countermeasures to these problems.

Keywords: International logistics, International trade, Countermeasures

As the basic tache of international merchandise value chain, international logistics ensures the actualization of international business activity and brings added value to international trade, thus becoming "the Third Profit Source". Compared with domestic logistics, international logistics is geographically extended and enlarged. It is promoted by the development of international trade and transnational companies which require higher levels of international logistics support. The substance of international logistics is to actualize the movement and exchange of merchandize between different countries by using internationalized logistics network, facility and technology. The target of international logistics is to provide service for international trade and transnational operation, to promote the development of regional economy and the optimal allocation of worldwide resources.

1. The necessity of developing China's international logistics industry

In recent years, the international trade of the world develops with a high growth rate and a large scale. From year 2000 to year 2007, the average annual growth rate of world merchandize trade is 5.5%. The total amount of international trade in 2007 reaches 28.3 trillion. It is reported (Zhang Guoqing, 2008) that the dependence degree on worldwide trade of all the countries gradually increased from 48.4% to 69.5%, from year 2001 to year 2007, respectively, which indicates that the economic connection between countries and areas is further enhanced and the international logistics activities around the world are greatly expedited. The foreign trade of our country has been rapidly developing in such circumstances. China has become the third largest trading nation and the second largest exporting country of the world. More and more multinationals transfer their manufacturing bases to China, which is becoming the manufacturing center of the world and its potential of international logistics is promptly released.

According to the research of Mr. Yang Changchun with the University of International Business and Economics, the Granger causality test proves that foreign trade and international logistics of China interact as both cause and effect. International trade promotes the development of international logistics, and accordingly, international trade brings forward new requirements on the efficiency, quality, cost and safety to our international logistics industry. Therefore, to accelerate the development of China's international logistics industry becomes essentially important for us to enhance the competitiveness of companies, optimize the allocation of resources, improve the trade environment, as well as realize the sustainable and healthy development of the Chinese economy.

2. The existing problems of international logistics industry in China

China's international logistics industry has made certain achievements in recent years; however, problems on various aspects still exist.

2.1 The logistics enterprise lacks comprehensive service capability

The fast development of economy requires that logistics enterprises not only provide transportation services and

interrelated services, but also implement integrated logistics models and supply chain management models, constructing integrated service systems which extend from a raw material source through the production and distribution system to the point of consumption and the associated reverse logistics. The logistic activities comprise freight transport, storage, inventory management, materials handling as well as all of the related information processing. However, with their small scale and an extensive operation model, most of our logistics enterprises lack functional structure and comprehensive management capability and can only provide simple, non-value-added logistic services, which hardly meet the requirements of many modern enterprises, especially multinationals. Consequently, many manufacturing enterprises do not use these kind of international logistic services, but make the logistics arrangement by themselves.

2.2 The low level of industrial systematization results in relatively high operation cost

At present, the enterprise alliance of logistics industry in our country has not come into being. The communication and cooperation between logistics enterprises, and the connection between logistics enterprises and manufacturing enterprises, have not become a regular phenomenon. The low level of industrial systematization cannot reduce the logistics operation cost effectively. Therefore, facing the fierce competition from overseas logistics service providers, our logistics enterprises are not in the favorable position.

2.3 The construction of logistics infrastructure is not well developed

The overall scale of our transportation facilities is small. The quantity and function of established distribution and storage facilities cannot meet the increasing needs of international logistics. Due to the absence of reasonable programming and coordination, the compatibility of existing logistics infrastructure is low and the systematic function is weak. The progress of building logistics centers, logistics parks, comprehensive traffic hubs, which have important impact on the development of logistics industry, is slow.

2.4 The administration system is not sound

The logistics industry of our country is administrated by many government departments, including transportation, domestic trade, foreign trade, city management, taxation, public security, customs, inspection, and so on. There are big differences in terms of the management function, management mode, and management policy of these departments. Due to the barriers between different departments and regions, the layout of logistics organizations is scattered; the logistics resources are wasted; the logistics markets are cut apart.

2.5 The legal system is not maturely established

Compared with the long history of international logistics industry in developed countries, the international logistics industry in our country is just in the primitive stage. The legal system for this field has not been constructed. Many important matters are not strictly regulated, such as qualification, market entry, competition rules, industrial standards, and so on. In addition, different countries have different regulations in logistics fields. Our logistics enterprises have not clearly and completely understood the big differences and complexity of them, which might bring trouble to enterprises and cause the obstacle when exploring the international market.

2.6 Professional talents are in great demand

The education and training of logistics professionals are slowly developing. The market urgently needs large numbers of specialized talents, especially the high level talents who can provide effective logistics solutions to the companies. Liu Hanyun(2008,p6) said that the lack of qualified talents limits the growth of logistics industry.

2.7 The advanced logistics concepts are not widely accepted and implemented

Most of our logistics enterprises evolved from traditional material circulating companies. With the inherent weakness, these enterprises' understanding of logistics is confined to the transportation and warehousing. The advanced logistics concepts, such as green logistics and supply chain management, are not widely understood and accepted, and even seldom implemented in the management and operation.

2.8 The informatization degree of the industry remains low

Our logistics enterprises have not taken the importance of informatization into serious consideration. The informatization degree of the whole industry remains low. For example, logistics information software developed and applied by logistics enterprises is not compatible with the customer's information system; the internal logistics information system of logistics enterprises cannot be effectively connected with the third party's information system; the transportation information system, storage information system and operation information system are not organically synchronized. The operation efficiency of our logistics enterprises has been negatively influenced.

3. The effective measures of promoting the development of our international logistics industry

With the above problems in mind, we should ponder over from different aspects and take effective measures to improve the operation efficiency of logistics industry and increase the core competitiveness of logistics enterprises, so as to ensure the healthy development of our international logistics industry and sustainable growth of our foreign trade.

3.1 To make market segmentation and provide value-added, customer-oriented logistics service

Based on the market needs, our logistics enterprises should make market segmentation and diversify the service modes, and provide value-added services, such as circulation processing, distribution, agency, logistics finance and payment collection, etc. They should also provide supply chain integration and integrated logistic services based on the modern information technology and supply chain management, and provide whole-process logistics services based on multi-modal transportation, making the services cover the whole process of material purchasing, manufacturing, storage, outer packaging, distribution, delivery, return of goods, repair and recycle.

3.2 To promote the collaborative development of logistics enterprises and reduce the operation cost

The integrated development could bring efficiency improvement, cost reduction and competitiveness enhancement. Therefore, on one hand, aiming at the establishment of strategic cooperation partnership, logistics enterprises should strengthen the connection with key customers and enhance the mutual dependence; on the other hand, works need to be done to facilitate the merger and acquisition of logistics enterprises. The service scope and service capability of logistics enterprises could be enlarged and enhanced accordingly.

Enterprises should also follow the trend toward the fourth party logistics, which make the integration of best logistics service providers and provide the best solution of supply chain management or logistics services. The 4PL is beneficial to the tight connection of every member of international logistics and the evident reduction of logistics cost. All of these are helpful to the external expansion of logistics enterprises.

3.3 To improve the construction of logistics infrastructure and reasonably program the international logistics network

We need to rationally integrate the layout, scale and function of existing logistics infrastructure, make full use of existing logistics parks, distribution centers and warehouses. At the same time, we should increase the investment on transportation facilities, such as highway, railway, waterway, aviation, and pipeline, etc. The international logistics network should be reasonably programmed, based on the merchandize transaction plan and the foreign trade master plan. But redundant construction and waste of land resources should be strictly prohibited. The comprehensive application of standardized logistics equipments will be helpful for logistics industry to meet the international requirements of continuous and prompt operation. During the process of construction and management of logistics facilities, we can actively introduce the capital, equipment and technology of foreign countries, promote the international cooperation of logistics and improve the status of domestic logistics system in the international frame.

3.4 To reform the administration system

The government should draw the blueprint of the industry development with foreseeable eyesight, and change the existing unsystematic and deficient management model. Government agencies at all levels should keep close cooperation, simplify the administrative procedures, and provide convenient services, so as to create a comfortable environment for international logistics industry. The barriers between departments and regions should be broken. The support from government will improve the operation efficiency of logistics enterprises and bring confidence to them for the international competition.

3.5 To attach importance to the 3R rule and expedite the construction of legal systems

Due to the fact that different countries adopt different laws and regulations in the logistics fields, the complexity of international logistics is much higher than domestic logistics. The legal system of logistics we are going to build should be in line with the international standards. Learning from those developed countries, we need to attach the importance to the 3R (reduce, reuse and recycle) rule and apply it to the legislation, regulation and administration, which can facilitate the sustainable development of our international logistics industry.

Moreover, when providing services to foreign customers, our logistics enterprises need to make study on the logistics laws and regulations of foreign countries and international customs of logistics as well. It can help logistics enterprises to explore international market and protect themselves.

3.6 To build and improve the educational and training system of logistics industry

The employees of international logistics industry are required not only to master the knowledge of modern logistics services, supply chain management, customs declaration, inspection application, insurance, transportation, international settlement and electronic commerce, but also to be familiar with the practical operation process as well. Evidently, this target is hard to achieve merely by the elementary school education. Therefore, schools, enterprises, governments, industrial associations should work together to build and improve the E&T system for international logistics industry. Besides degree education and on-job training, they can also take many other measures to enhance the comprehensive competency of professionals, such as popularizing professional qualification systems, establishing and popularizing industrial standards, and holding logistics exhibition and logistics seminar, etc.

3.7 To keep updating the advanced professional concepts and popularizing the green logistics

The low efficiency, high energy consumption and high pollution of our current logistics operation system are the embodiment of the laggard concepts of our logistics enterprises, which is not in accordance with the international development trend. To achieve the sustainable development of our international logistics industry, the popularization of green logistics becomes an extremely urgent task. Green logistics advocates the control and elimination of the negative impacts caused by logistics activities on the environment, and the utility maximization of logistics resources as well. I would like to comment on two important points. Firstly, logistics plans with small negative impact on environment, for example, short-distance distribution, and night delivery should be given priority; Secondly, construction of the logistics system of waste disposal should be on the agenda. The essentials of green logistics are to apply the concepts of environment protection and sustainable development to the logistics management and operation. (Liu Zhixue, 2001, p51)

3.8 To accelerate the construction of logistics information system and popularize the application of advanced logistics technology

The construction of the comprehensive logistics information system including sorting of functional sub-systems and the information systems of production, wholesale, retail, financing and law, is the guarantee of healthy development of international logistics. (Yang Tailun, 2007, p7) The systematic integration of information technology and network planning technology can achieve the information sharing; make the information transmission more convenient, fast and accurate. It can also synchronize the commercial flow, capital flow, and information flow, increase the integrative benefits of production, circulation and consumption, and eventually optimize the logistics network. The application of barcode technology, RFID (Radio Frequency Identification), GPS (Global Positioning Satellite) technology, and GIS (Geographic Information System) technology can lead to the automatic recognition, picking, loading, unloading, placing and fetching of goods, greatly increasing the efficiency of logistics operation. The logistics information and function sharing between logistics enterprises, and between logistics enterprises and customers, can be achieved through the public logistics information platform.

Furthermore, the wide application of advanced modern logistics technology, such as intelligent transportation, automatically guided vehicle, automatic picking and classifying systems, paperless office systems, modularization technology and simulation technology can further improve the level of mechanization, automation, intellectualization of logistics systems, improve the supply chain management, and make the development of our international logistics industry enter into a new stage. (Lin Donghua & Sun, Ye, 2008, p37)

4. Conclusions

It is an arduous task to build a perfect logistics system and provide high level international logistics services. This goal cannot be achieved at one step. The devotion and cooperation of all the related parties are indispensable. Our international logistics industry should tightly seize the development opportunity given by the economic globalization with long term eyesight, accelerating the infrastructure construction, talents education and training, administration system reform, legal system establishment, logistics information network building and advanced technology application.

With the endeavor of all the parties, the development of China's international logistics industry can scale a new height at an early date.

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