

# Chapter 2

## China's Logistics Development Environment

Xiao-mei Jiang

In 2013, China's economy was running steadily. The annual economic growth rate stabilized between 7 and 8 %, and the economic re-structuring was progressing in a positive direction. These factors provided a stable economic environment for the development of China's logistics industry. On the policy aspect, the Government promulgated a comprehensive plan to deepen the economic reform for the upcoming decade, and began to relax the regulatory control and administrative procedures in order to stimulate the market vitality. The implementation of these measures afforded new market openings and a driving force for the development of China's logistics industry.

This chapter addresses the foundational factors which affect the development of China's logistics industry in terms of economic and policy environments. Section 2.1 describes the development status of China's GDP, international trade, fixed asset investment, domestic consumption, and the Internet. Section 2.2 introduces the major policies, particularly those concerning the development of China's logistics industry, announced or implemented recently by the Central Government. These include the core contents of the comprehensive plan to deepen the economic reform, the establishment background and the major missions of China (Shanghai) Pilot Free Trade Zone, the reform on the decentralization of administrative approvals, the prevention and controlling policies on air pollution.

### 2.1 Economic Environment of China's Logistics Development

In 2013, China's economy achieved a stable growth. Structure of foreign trade was further optimized and investment in fixed assets continued to maintain a rapid growth. Demand for basic living and upgrading of consumption structure had become the momentum of economic growth, while the internet industry also

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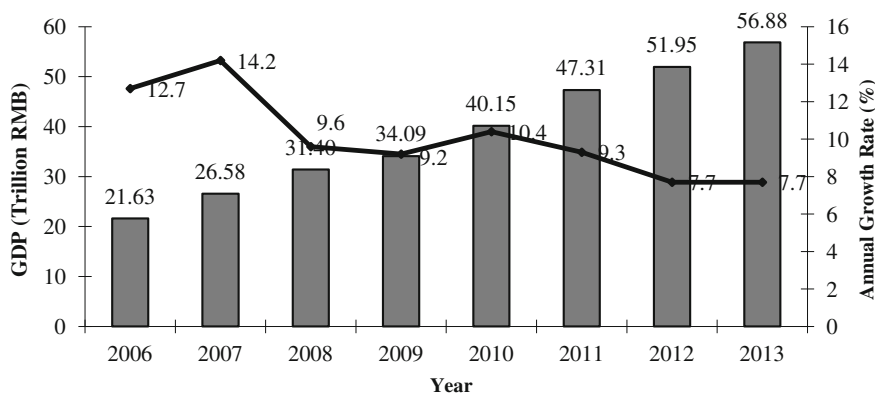
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**Fig. 2.1** China's GDP and growth rates for 2006–2013. *Note:* GDPs are computed per current price of each year; growth rates are computed on constant price. *Source:* Compiled from the *China Statistical Yearbook* (2013), and the *China Statistical Bulletin of National Economic and Social Development* (2013), both published by the National Bureau of Statistics of China

expanded rapidly. All these had afforded a continuous and steady economic foundation for the development of China's logistics industry.

### 2.1.1 China's Economy Achieved a Stable Growth

In 2013, China's gross domestic product (GDP) reached 56.88 trillion RMB,<sup>1</sup> increasing by 7.7 % comparing with previous year. This pace of growth is comparable to that of 2012. The quarterly growth rates for the year were 7.7, 7.5, 7.8 and 7.7 %, respectively; all variations were within a small interval between 7.5 and 7.8 %. China's GDP and growth rate for 2006–2013 are shown in Fig. 2.1.

Meanwhile, the adjustment of China's economic structure also made some positive progress. With regard to industrial structure, the share of added value of tertiary industry rose to 46.1 %. This was the first time for the share of the tertiary industry to exceed that of the secondary Industry (43.9 %). As for the regional structure, the share of GDP from the Eastern Region declined from 51.32 to 51.15 %, the Central Region increased from 20.17 to 20.21 %, the Western Region increased from 19.76 to 20.00 %, and the Northeastern Region dropped from 8.76 to 8.64 %. The gap between Eastern and Western regions had narrowed slightly.

<sup>1</sup>Unless specified otherwise, all statistical data and inferences 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.

With respect to urban and rural structures, in late 2013, the urbanization rate reached 53.73 %, up by 1.16 percentage points comparing with previous year.

With the smooth running of national economy and the improvement in economic structure, China's logistics market realized a steady and relatively fast growth rate. Total value of social logistics<sup>2</sup> reached 197.8 trillion RMB, up by 9.5 % year-on-year according to comparable prices. Total expense of social logistics reached 10.2 trillion RMB, up by 9.3 % year-on-year. Total added value of logistics industry reached 3.9 trillion RMB, up by 9.5 % year-on-year according to comparable prices. Total volume of cargo transportation reached 45.1 billion tons, increased by 9.9 % comparing with previous year. Total turnover of cargo transportation reached 18.65 trillion ton-kilometers, rose by 7.3 % comparing with previous year. Annual completed port cargo throughput reached 11.77 billion tons, up by 9.2 % comparing with previous year. Volume of express services reached 9.19 billion pieces, jumped up by 61.6 % comparing with previous year.

### ***2.1.2 Foreign Trade Structure Continued to Improve***

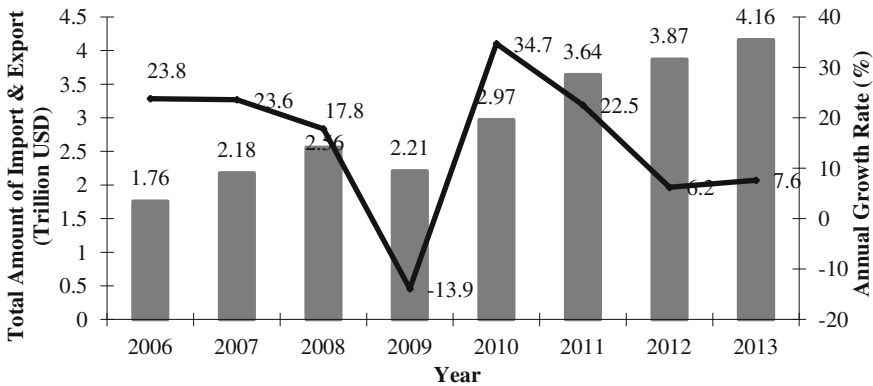
In 2013, the scale of China's overall foreign trade continued to grow, with speed of increment rebounded comparing with that of 2012. Total volume of imports and exports amounted to 4.16 trillion USD, up by 7.6 % year-on-year after adjusting for foreign exchange factors. Of which, volume of exports reached 2.21 trillion USD, up by 7.9 % year-on-year; volume of imports reached 1.95 trillion USD, rising by 7.3 % year-on-year. In addition, according to preliminary statistics from the Secretariat of World Trade Organization (WTO), China's trade in goods accounted for about 12 % of the world's trade in goods in 2013, making China the world's largest country in trade. China's GDP and growth rate for 2006–2013 are shown in Fig. 2.2.

Since 2009, there had been profound changes in both the internal and external environment regarding to the growth of China's foreign trade. The internal and external environment for rapid growth no longer existed. As such, China has since been actively expanding its foreign trade by transforming it from quantity orientation to quality emphasis. This was mainly manifested in the following four aspects:

First, the growth of general trade was faster than that of processing trade. In 2013, comparing with the previous year, China's general import and export trade increased by 9.3 % while the processing import and export increased by 1.0 %. The share of processing import and export trade in overall foreign trade dropped to 32.6 %, down by 2.2 percentage points comparing with previous year. The share of general import and export trade rose to 52.8 %, up by 0.8 percentage points comparing with previous year. The fact that general trade grew faster than

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



**Fig. 2.2** China's GDP and growth rate for 2006–2013. *Source:* Compiled from the *China Statistical Yearbook* (2013), and the *China Statistical Bulletin of National Economic and Social Development* (2013), both published by the National Bureau of Statistics of China

processing trade indicates that China has strengthened its self-reliant capability in foreign trade and has further optimized its foreign trade structure.

Second, the ratio of foreign trade of local private enterprises continued to increase. For many years, the growth of China's foreign trade was mainly driven by the import and export trade of foreign-invested enterprises. Yet in 2013, the increase of import and export trade of foreign-invested enterprises was only 1.3 %; its share in China's overall volume of foreign trade dropped to 45.1 %, down by 3.9 percentage points comparing with previous year. Meanwhile, the growth in import and export trade of local private enterprises rose by 22.3 %. It amounted to 35.9 % of China's overall volume of foreign trade, up by 4.3 percentage points comparing with previous year.

Third, the trading countries and regions for China's foreign trade became more diversified. In 2013, trade with the United States, Europe and Japan accounted for 33.4 % of China's total trade volume, down by 2.0 percentage points comparing with previous year. In contrast, trade with emerging markets and developing countries grew steadily. China's trade volume with the ASEAN, South Africa and five countries in Central Asia increased by 10.9, 8.6 and 9.4 %, respectively. This indicates that the structure of China's trading partners continued to improve and the capability to withstand the risks of foreign trade downturn increased.

Finally, the growth of foreign trade in China's Central and Western Regions was higher than that of the Eastern Region. In 2013, benefited from the advantages due to national policies and lower costs of production factors, provinces and cities from the Central and Western Regions, such as Chongqing, Anhui and Henan undertook the productivity transfer in domestic China. They were able to maintain a cost-competitiveness in the exported products in international markets. Their growth rates in foreign trade were more than 15.0 %. The foreign trade growth rates for provinces and cities from the Eastern Region, such as Guangdong, Jiangsu, Shanghai and Zhejiang were between 0.5–10.9 %. The higher growth rates of the

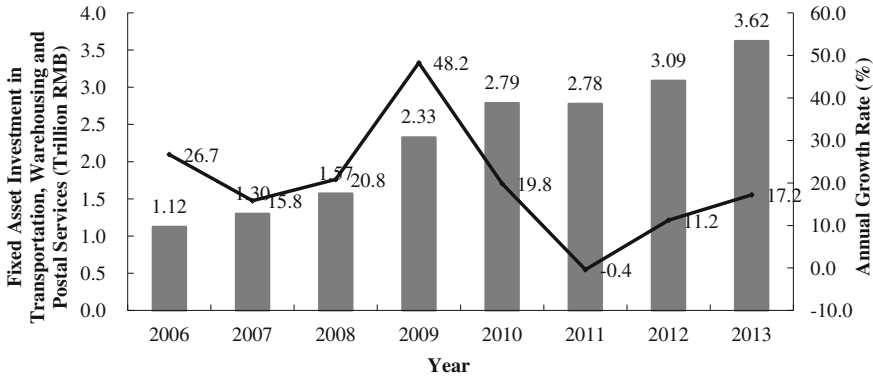
Central and Western Regions not only provided a more balanced and reasonable layout of China's foreign trade, but also stimulated the transformation and upgrading of foreign trade of the Eastern Region.

In order to adapt to the afore-mentioned changes in foreign trade, China continued to improve its international logistics network and international logistics monitoring services in 2013. The Central Government vigorously supported the building up of international freight forwarding routes in inland cities, reformed the paperless customs clearance operations, and sped up the formulation of supporting policies and monitoring system in cross-border logistics services. As for the enterprises, many more companies continued to increase their investment in logistics infrastructure in the emerging countries. For example, China Overseas Holdings Ltd. took over the operations of Port Gwadar in Pakistan, China Merchants Holdings (International) Co., Ltd. built and managed Port Bagamoyo in Tanzania and acquired a certain portion of shares in Port Djibouti, the largest port in East Africa. Third party logistics service suppliers and express service companies, such as 4PX Express and S.F. Express, accelerated their expansion in overseas warehouses and operational nodes.

### ***2.1.3 Investment in Fixed Assets Maintained a Relatively Fast Growth***

In 2013, China's investment in fixed assets continued to climb at a relatively fast pace. Annual completed investment reached 44.7 trillion RMB, up by 19.3 % comparing with previous year. After adjusting for price factors, the actual growth rates was 18.9 %, showing a slight drop of 0.1 percentage points comparing with previous year. Contribution of investment to the overall economic growth reached 54.4 %, up by 2.6 percentage points comparing with previous year. Of which, the fixed investment in logistics was clearly on an upward trend. Annual completed fixed assets investment in transportation, warehousing and postal services reached 3.62 trillion RMB, up by 17.2 % year-on-year. It was significantly higher than the growth rates of -0.4 % in 2011 and 11.2 % in 2012. Fixed assets investment (excluding farmers) in transportation, warehousing and postal services for 2006–2013 are shown in Fig. 2.3.

Among the sub-industries of the logistics industry, highway transportation and railway transportation had been the key investment areas in recent years. Their combined share of investment had accounted for more than 75 % of the entire logistics industry for a considerable period. In addition, benefited from the strong domestic demand and the development of e-commerce, investment in warehousing had been in a trend of speedy growth. Fixed assets investment (excluding farmers) in the sub-industries of logistics industry for 2006–2013 are shown in Table 2.1.



**Fig. 2.3** China's fixed assets investment in transportation, warehousing and postal services for 2006–2013. *Source:* Compiled from *China Statistical Yearbook* (2013), *the National Economic and Social Development Statistical Bulletin* (2013), both published by the National Bureau of Statistics of China

### 2.1.4 Growth of Domestic Consumption Slowed Down

In 2013, affected by the slowdown in the growth of national economy and residents' income, and the phasing out of the national consumption stimulation policies, the growth in overall consumer market in China declined slightly. The national retail sales of consumer goods amounted to 23.78 trillion RMB, up by 13.1 % comparing with previous year. After adjusting for price factors, the actual growth rates was 11.5 %, indicating a slight drop of 1.2 percentage points comparing with previous year. The total amount of retail sales of consumer goods and growth rate for 2006–2013 are shown in Fig. 2.4.

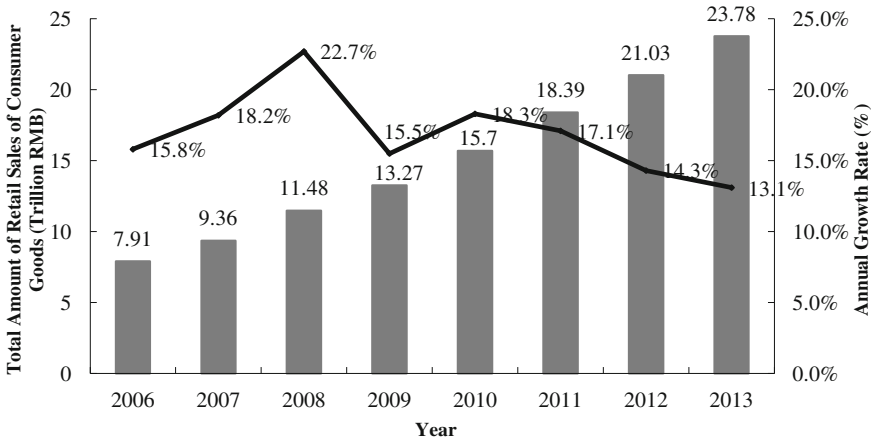
2013 signifies the year which China implemented the fewest consumption stimulation policies since the global financial crisis. The growth in consumption mainly relied on the demand in basic livelihood and the upgrading in consumption structure. This was reflected in the fact that the growth in consumer market in rural areas was significantly higher than that in towns and cities, the consumption growth in the Central and Western Regions was faster than that in the Eastern Region, and the growth in online consumption was faster than the physical store consumption.

Despite the changes in consumption pattern, demand for logistics services relating to the residents' daily livelihood still remained relatively strong in 2013. For example, the express services market kept a brisk growth, with accumulated business volume of the above-scale express enterprises reaching 9.19 billion pieces, up by 61.6 % year-on-year. Logistics markets in food, medicine, household electrical appliances, electronic products, automobiles and other livelihood-related services also maintained a relatively high growth rate. More and more attentions were paid to rural logistics, urban community logistics and cold chain logistics.

**Table 2.1** Fixed assets investment (excluding farmers) in the sub-industries of logistics industry for 2006–2013 (*Unit* Billion RMB)

Sub-industry	2006	2007	2008	2009	2010	2011	2012	2013
Railway transportation	196.65	249.28	407.32	666.09	744.15	591.50	612.88	651.47
Highway transportation	648.16	692.66	741.15	1055.76	1227.66	1607.68	1746.64	2069.23
Water transportation	99.51	110.95	120.41	167.07	194.25	192.65	200.84	207.95
Air transportation	46.31	60.76	59.05	60.49	82.96	83.58	112.40	128.47
Pipeline transportation	7.13	6.91	13.86	7.31	9.49	14.81	20.46	36.19
Loading/unloading and other transportation services	5.43	9.34	11.43	22.19	33.26	36.82	71.37	–
Warehousing	37.09	61.11	87.40	141.33	181.17	243.72	316.64	420.07
Postal services	2.10	1.42	1.94	3.50	3.35	5.83	6.91	–

*Source:* Compiled from *China Statistical Yearbook* (2013), the *National Economic and Social Development Statistical Bulletin* (2013), both published by the National Bureau of Statistics of China



**Fig. 2.4** China's total amount of retail sales of consumer goods and growth rates for 2006–2013. *Source:* Compiled from the *China Statistical Yearbook* (2013), and the *China Statistical Bulletin of National Economic and Social Development* (2013), both published by the National Bureau of Statistics of China

### 2.1.5 Internet-Related Industries Developed Rampantly

In 2013, the Chinese Government made great effort to promote the development of its information industry. The rapid development in the technology of Big Data, Cloud computing, networking and mobile internet has enabled the internet-related industries in China to step into a new round of rapid development. These aspects are described as follows.

The internet infrastructure was upgraded swiftly. By the end of 2013, China's internet penetration rate was up to 45.8 %. Number of internet users reached 620 million; 130 million households were equipped with fiber broadband capacity, and 3G network covered every village and town across the country (China Internet Network Information Center 2014). In the cities, smartphone penetration rate increased from 33 % in 2012 to 47 % in 2013. Of these users, 69 % of them reportedly accessed the internet via smartphones everyday (Google and IPSOS Media CT 2013).

The integration between internet industries and traditional industries was accelerated. Traditional manufacturing enterprises and large trading enterprises have been actively developing their online and mobile businesses, which has prompted the rapid development of the online retail industry. Manufacturing enterprises like Haier and Xiaomi have started the revolution by using the internet to explore their C2B business model.

New business models and internet services were developed rapidly. The scale of public Cloud services, such as Cloud data center, Cloud storage and Cloud platform, has started to expand. Internet services in e-commerce, searching, social and public management and location-based services have begun to migrate to the architecture of Cloud computing. The use of Big Data has attracted more attentions, and enterprises are starting to be aware of the operational value and business value of Big Data. Especially for the industries in e-commerce, financing and fast moving consumer goods, the demand for Big Data for processing and business analysis is flourishing.

The momentous development in internet economy has brought about both opportunities and challenges to China's logistics industry. The impact of internet on the traditional distribution modes and traditional manufacturing modes has not only brought about greater demand for the logistics industry but also created significant changes in the characteristics of logistics services. Since the logistics services to end consumers are most likely to be random and scattered, it is a must for the logistics industry to accelerate the changes in its operational mode in urban distribution services, and to enhance the level of informatization, intelligence, networking, and visualization. Within the logistics industry, express service is one which generates a huge amount of data. With the application of Big Data processing technology, express services could thus upgrade their operations and management, and embrace the opportunities in their day-to-day operations. Take S.F. Express as an example. It has developed a number of internet-based mobile applications and therefore saved a lot in labor and distribution costs. And, Best Express is trying to use the Big Data technology to manage, analyze, and evaluate the operational behaviors of their franchisees. They have successfully forecasted abnormal movements of transactions at the business nodes on several occasions. Also, the application of Big Data makes logistics costs more transparent, leading to more intense competition among the logistics enterprises.

## 2.2 Policy Environment of China's Logistics Development

In 2013, the Central Government promulgated several comprehensive and in-depth reform edicts, which have brought about important development opportunities for the logistics industry. The approval by the State Council to establish the China (Shanghai) Pilot Free Trade Zone would definitely benefit China's logistics industry in opening up the market to the world. Minimizing the administrative approvals from governments at all levels would further stimulate the vitality of the logistics market. There were also some major reforms in China's railway system, which would further increase the degree of marketization. The works on air pollution prevention and controlling had been notably sped-up, which would heighten the pressure on the logistics industry for energy saving and emission reduction.

### ***2.2.1 Some Major Issues Concerning Comprehensively Deepening the Reform***

In November 2013, the Third Plenary Session of the 18th CPC Central Committee issued the *Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform*. It was a programmatic document dictating the objectives of realizing the overall and in-depth reform in China before 2020. It clearly put forward the message that opening up the market is the source of vitality for forthcoming China. The document emphasized that, in the face of the new challenges, China must adopt comprehensive and in-depth reforms to address a series of critical problems. As such, it outlined the overall deployment of major missions and initiatives of the reforms.

The document pointed out that, reformation of the economic system is the focus of China's comprehensive and in-depth reforms. The core issue of economic system reform is to better handle the relationship between the Government and the market, so the role of the market in resource allocation and that of the Government in market supervision can be better played. To resolve the problems of market imperfection and excessive intervention and insufficient supervision from the Government, it is a must for the Government to drastically reduce its direct allocation of resources, and to promote resources allocation through the pricing and competition mechanism of the market.

The document also clearly demanded the establishment of a set of fair and transparent market rules. All administrative approvals from the Government should be abolished for economic activities for which the market mechanism can govern. The Government shall no longer make administrative approvals on general competitive projects among enterprises. Instead, it will set up the uniform market entry system, the Negative List Management System, the convenient company registration system and the stock issuance and registration system. In addition, the document also proposed to reform the market supervision and control system by cleaning up and abolishing outdated regulations and practices which may hinder the development of a unified national market and fair competition environment.

Further, the document provided a new marketplace and growth driver for the logistics industry. First, it allowed more private enterprises to partner with foreign-invested enterprises to engage in the investment of logistics infrastructure. This is advantageous to China's logistics industry in speeding up the development of logistics infrastructure and improving operational standards. Second, the business environment of the logistics industry would be improved. With the gradual establishment of a standardized and convenient company registration system and the unification of a national logistics market, logistics enterprises could better improve and strengthen their network deployment, the synergies from operating at multiple nodes and management of logistics assets. Third, operating costs of logistics enterprises would significantly decrease. In a unified and open market system, logistics enterprises could implement standardized operational processes

and controlling modules to achieve economies of scale, which would markedly reduce operational costs (Wang 2013).

### ***2.2.2 The Establishment of the China (Shanghai) Pilot Free Trade Zone***

In August 2013, the Government approved the establishment of the China (Shanghai) Pilot Free Trade Zone. This signifies a major strategic initiative of the Government in response to the new trends in global trade, and to more proactively open up its market.

In recent years, due to the impasses in the Doha Round of Negotiations of the World Trade Organization (WTO), developed countries such as the United States have started to accelerate their regional free trade negotiations, and set forth new rules in international trade founded on the core of liberalizing trade in services and investment. This move is very likely to re-shape the global trading system, and have created new and severe challenges to the development of China's foreign trade. As such, the Chinese Government has proposed to speed up the implementation of its free trade zone strategies so as to actively respond to the challenges from the high standards of global free trade zones and related rules. By establishing the pilot free trade zone in Shanghai and expanding the opening-up policies in providing services in the areas of trade and investment that meet international standards and rules, the pilot zone will become an important carrier of China's economic globalization, and will enable China to accrue experience in the global division of labor in the future.

The background in establishing the Shanghai Pilot Free Trade Zone differ from that of other free trade zones in the world, whose major functions are focusing on re-export trade. Shanghai Free Trade Zone focuses more on the expansion of market and system innovation in the areas of service trade and investment. These items include expanding the opening-up of market for industries such as financing, shipping, business trade and professional services, deepening the opening-up and innovation in financial sector, promoting transformation and upgrading in business trade, enhancing service standards in international shipping, as well as optimizing the service monitoring modes.

The implementation of the various construction projects of Shanghai Pilot Free Trade Zone project and the experience accumulated from it will gradually impact the level of market opening-up in China's logistics industry. For example, the innovative monitoring mode of "single window" implemented by the Customs will further promote the linking of China's customs supervision system with the high standards of the international trade agreements. The establishment of the Negative List Management System will regulate the entry requirements of foreign-invested logistics companies, and thus improve the management of foreign investment in the logistics industry. Other measures include: to encourage multinational corporations (MNCs) to set up their Asia-Pacific Regional Headquarters and Operations Centers

that consolidate the functions of trade, logistics and customs clearing, and to enhance the service level of international shipping. All these will enable the logistics-related enterprises in Shanghai and other like areas in the country to move toward globalization and the high-end markets. The systematic improvement in cross-border investment financing of domestic logistics enterprises will also encourage China's logistics enterprises to go to the overseas markets.

### ***2.2.3 Reduction of Administrative Approvals of the Government***

In 2013, the Government announced a series of documents and measures aiming at relinquishing governmental controls, such as the cancellation and decentralization of many administrative approvals, the amendments of investment directory approved by the Central Government, the promotion of reforms on the national business registration system, and so on. These measures would effectively reduce the administrative controls over the logistics industry, and thus further stimulate the vitality of various logistics markets.

In May 2013, the State Council abolished and decentralized 117 administrative approvals. The areas involving logistics industry include: the cancellation of approval on investment in civil airport expansion projects, the approval on mergers and acquisitions between international maritime transportation operators, and the approval on international shipping agency services.

In December 2013, the State Council issued the *Government Approved Investment Project Directory (2013 Version)*. In this new directory, the mandated approval actions of 49 investment projects were canceled, decentralized and transferred. In addition, there were also some improvements in certain other areas. In the area of transportation infrastructure construction, approvals were decentralized in fields of postal items, and part of railways, highways, bridges, tunnels, container terminals, as well as the berths for coal, iron ore, oil and gas. Approvals for all foreign investments have been changed from a centralized approval system to a case-by-case system or, to a registration-only system.

In February 2014, the State Council officially issued the *Regulations on the Registration of Company Registered Capital*. This document restructured the traditional national business registration system to a more convenient registration system. It proposed reform measures in five main areas, namely, the implementation of registered capital subscription registration systems, the relaxation of registered capital registration requirements, the change of annual inspection system to an annual report disclosure system, the simplification of registration procedures for main subject's residence address (or business location), as well as the implementation of e-business licensing and full electronic registration and management system.

### 2.2.4 Marketization Reform in Railway Transportation

In 2013, there were many market-oriented reforms with respect to China's railway transportation, which involved the management system, the transportation organizations, the investment and financing system, and transportation pricing.

In March 2013, the State Council implemented the *Sixth Institutional Reform*. In this *Reform*, the Ministry of Railways was abolished and its original functions were divided into three parts. First, the National Railway Administration was formed under the management of the Ministry of Transport to assume the administrative function of the former Ministry of Railways. Second, China Railway Corporation was formed to assume the business function of the former Ministry of Railways. Third, the development planning and policy making functions of the former Ministry of Railways was transferred to the Ministry of Transport. By these reform actions the administrative function and business function of the railway transportation were separated, and a new comprehensive traffic management system for China was formed.

In June 2013, China Railway Corporation introduced a freight organization reform program. The program encompassed a series of concrete measures, such as the reforms in freight order acceptance methods, the freight organization methods, the clearing-up of specified freight charges, and the concerted development of the railway door-to-door total logistics services. The reform program represented a full-scale re-structuring of China's railway transportation system. Its aims were to switch the railway transportation from the traditional production-orientation to a new market-orientation, to promote railway transportation reform as a whole, to speed up the establishment of new railway transportation management system and operations mechanism conforming to the requirements of market economy, and to improve the quality and efficiency of railway transportation.

In August 2013, the State Council issued the *Opinions on the Reform of Railway Investment and Financing System to Accelerate Railway Construction*. The issuance of the document was another milestone and breakthrough in China's railway reform. The document put forward a number of specific measures, such as the fully opening-up of the railway construction market, the opening-up of four types of railway ownership and management rights to local governments and private capital, and the changes from government-set freight rates to government-guided freight pricing. This clearly spelled out the Government's vision of broadening the investment and financing channels of railway transportation through the reform and marketization.

In addition, the marketization of railway fares has also been started. In February 2014, the National Development and Reform Commission issued a document, dictating that effective from February 15, 2014, all railway freight pricing would be changed from government-fixed to government-guided.

### ***2.2.5 The Prevention and Controlling Policies on Air Pollution***

Confronted with the increasingly severe air pollution conditions, the Chinese Government had implemented a series of intensive policies in 2013 which had substantively prevented and controlled the air pollution problem in China.

In September 2013, the State Council promulgated the *Air Pollution Prevention and Controlling Action Plan*. The *Plan* is the strongest and most comprehensive action plan promulgated by the Government up till 2013. It also serves as an action guide for China's air pollution prevention and controlling works from 2013 to 2017. The *Plan* proposes ten specific prevention and controlling measures in terms of aggregate coal consumption control, re-adjustment of industrial structure, and strengthening the pollution control of motor vehicles.

In September 2013, in response to the most air-polluted and most difficult-to-control regions, the Ministry of Environmental Protection and the National Development and Reform Commission jointly published the *Implementation Details of the Action Plan for Air Pollution Prevention and Controlling in the Regions of Beijing, Tianjin, Hebei and Surrounding Areas*. The *Plan* put forward specific requirements on the prevention and control of air pollution in these regions, such as by 2014, all gas stations, oil storage facilities and fuel tankers must complete the oil and gas recovery works; the relevant authorities must strictly control the incremental rate of motor vehicles and enhance the quality of motor vehicle fuel.

In order to fully implement the *Air Pollution Prevention and Controlling Action Plan*, the Ministry of Environmental Protection signed the *Letters of Responsibility for Air Pollution Control Targets* with 31 provinces and cities in January 2014, which clearly set specific and quantitative goals on air quality improvement in these areas. To ensure the realization of such targets, the State Council also promulgated some evaluation methods; each year the Ministry would review and evaluate the air quality improvement and the task completion of these provinces.

Among the air pollution prevention and control programs, the emission of polluted particles by motor vehicles was listed as a critical management issue. Major measures included: to enhance the quality of motor vehicle fuel, to accelerate the phasing out of old vehicles, to raise motor vehicle emission standards, to elevate the environmental requirements of low-speed motor vehicles (3-wheel motors, low-speed trucks), and to promote the use of new energy vehicles. In addition, dust was also included as a critical management issue. For example, sediment transport vehicles should be properly sealed and should gradually be equipped with satellite positioning system. Large coal piles and waste piles should be stored in closed areas or buildings with wind and dust-free facilities.

The tasks on air pollution prevention and control have been obviously sped-up in recent years. This has added much pressure for the logistics industry on energy saving and emission reduction. For example, the increasing pressure on renewing logistics vehicles has forced the logistics enterprises to raise more capital, so as to

phase-out old vehicles and renew them by environmentally-friendly vehicles. The massive use of clean energies, such as high-quality fuel and liquefied natural gas (LNG), has also increased the transportation costs of the logistics enterprises. The deepening of dust control policy also requires the ports and logistics parks to strengthen their dust control of the bulk materials at open piling sites.

## 2.3 Summary

This chapter presents the macro-environment of China's logistics industry in 2013 from the aspects of economic and policy environments. In 2013, China's economy had glided from the high growth phase to the medium-to-high growth phase. Therefore, accelerating the speed of economic structural re-adjustment has become the development focus of China's economy for years to come. In 2013, China's foreign trade structure continued to improve, fixed assets investment of the logistics industry continued to maintain a high growth rate. All these had created a stable economic environment for the development of the logistics industry. Regarding the policy environment in 2013, the issuance of the *Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform* clearly outlined the overall development strategy and focus of the CPC and the Chinese Government. Under the guidance of the comprehensive reform, in 2013, the Chinese Government also initiated the establishment of the China (Shanghai) Pilot Free Trade Zone, the reduction of administrative approvals by the Central Government, as well as the marketization of railway transportation.

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