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## **CURRENT STATE AND PROSPECTS OF THE DEVELOPMENT OF THE LOGISTICS COMPONENT OF THE CHINA ECONOMY**

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### **СУЧАСНИЙ СТАН ТА ПЕРСПЕКТИВИ РОЗВИТКУ ЛОГІСТИЧНОЇ КОМПОНЕНТИ ЕКОНОМІКИ КИТАЮ**

*China's economy is growing at an unprecedented rate. Based on modern information technologies, the model of economic growth of the country has moved from the traditional components (agricultural and heavy industry) to those in demand today: light industry and services. Especially in recent years, the logistics, Internet business, which is gradually taking a strategic position in the country and is responsible for providing special services to businesses, have undergone rapid development.*

*As a manufacturer's service sector, the logistics component is closely linked to other components of the economic system, and improving its efficiency can contribute to the economic growth of the country as a whole. Promoting the formation and development of the logistics industry plays a huge role in reducing costs and optimizing the functioning of China's real economy.*

*In today's world, e-commerce is at a stage of unprecedented development in China. Online shopping has become a necessary, everyday attribute in the behavior of Chinese consumers. Under such conditions, there are a large number of problems with the development of the logistics component of China's economy: territorial differences (development between regions is uneven); high cost of logistics services; modern information and technical challenges; imperfect legislative and regulatory regulation of this industry; constant competition with other countries and others.*

*Given the peculiarities of the economy, the significant influence of the state, a list was formed and measures were taken to help reduce costs and increase the efficiency of the logistics component, the development of international logistics, the formation of relevant links in the long run and more.*

*China plays an important role in the international market as one of the leaders in export-import operations. Accordingly, the formation of China's logistics industry directly affects the economic development of all countries. There is still a large gap in international logistics between China and*

*other developed countries. Rational planning, development strategy development, stimulation of simultaneous development of domestic and international logistics business is an important topic for further research.*

*Економіка Китаю зростає з небаченою швидкістю. Спираючись на сучасні інформаційні технології, модель економічного зростання країни перейшла від традиційних складових (аграрної та важкої промисловості) до витребуваних на сьогодні: легкої промисловості та сфери послуг. Особливо за останні роки бурхливого розвитку зазнали логістичній, інтернет-бізнес, які поступово займають стратегічну позицію в країні та несуть відповідальність за надання спеціальних послуг господарюючим суб'єктам.*

*Як галузь обслуговування виробників, логістична компонента тісно пов'язана з іншими складовими економічної системи, а підвищення ефективності її функціонування, може сприяти економічному зростанню країни в цілому. Сприяння становленню та розвитку логістичної галузі відіграє величезну роль у зниженні витрат та оптимізації показників функціонування реальної економіки Китаю.*

*В умовах сьогодення, електронна комерція перебуває на етапі безпрецедентного розвитку в Китаї. Інтернет-покупки стали необхідним, щоденним атрибутом у поведінці китайських споживачів. За таких умов виникає велика кількість проблем щодо розвитку логістичної компоненти економіки Китаю: територіальні відмінності (розвиток між регіонами нерівномірний); висока вартість логістичних послуг; сучасні інформаційно-технічні виклики; недосконале законодавчо-нормативне регулювання даної галузі; постійна конкуренція з іншими країнами світу та інші.*

*Враховуючи особливості функціонування економіки, вагомий вплив держави, було сформовано перелік та запроваджено заходи щодо сприяння зниженню витрат та підвищення ефективності логістичної компоненти, розвитку міжнародної логістики, формування відповідних зв'язків у довготерміновій перспективі тощо.*

*Китай відіграє важливу роль на міжнародному ринку, як один з лідерів експортно-імпортних операцій. Відповідно, становлення логістичної галузі Китаю безпосередньо впливає на економічний розвиток усіх країн світу. Між Китаєм та іншими розвиненими країнами все ще залишається великий розрив у галузі міжнародної логістики. Раціональне планування, розробка стратегії розвитку, стимулювання одночасного розвитку вітчизняного та міжнародного логістичного бізнесу - важлива тема для подальшого дослідження.*

**Key words:** *e-commerce; logistics; logistics component; logistics costs; international logistics.*

**Ключові слова:** *електронна комерція; логістика; логістична компонента; логістичні витрати; міжнародна логістика.*

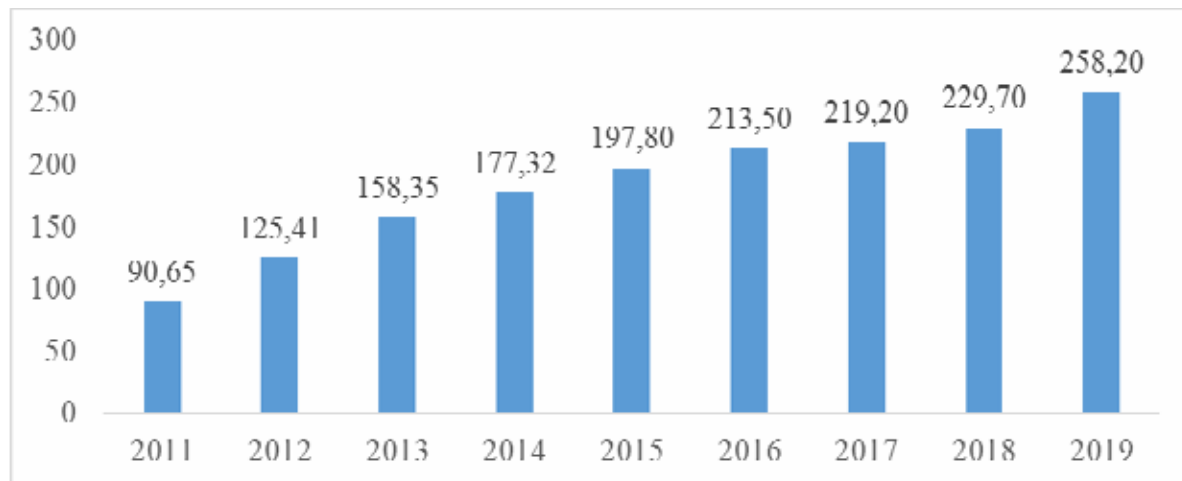
#### **PROBLEM STATEMENT IN GENERAL FORM**

As a rapidly growing developing country, China's economy is growing at an unprecedented speed. China's economic growth model has shifted from traditional agricultural economy and heavy industry economy to light industry and service industry economy relying on modern information technology. Especially in the near five years of rapid development of Internet business, China's logistics industry has also ushered in the stage of prosperous development. Logistics industry is a basic and strategic industry of our country. It is the responsibility of this industry to provide special circulation service.[1] According to data released by the National development and reform commission, from 2011 to 2019, the total amount of social logistics increased from 125.4 trillion yuan to 252.8 trillion yuan, with a compound annual growth rate of 10.53 percent.

#### **IDENTIFY PREVIOUSLY UNRESOLVED PART OF THE PROBLEM**

Logistics, as producer services, covers storage, transportation, modern information services and other fields. The improvement of its efficiency can directly affect the improvement of the efficiency of other industries, play a great role in improving the quality and efficiency of China's economic development under the new situation, and is the lubricant and accelerator of national economic development. In recent years, China's logistics industry has developed rapidly and achieved good results, but some problems have also been exposed. In order to better enable the logistics industry to serve China's economy. In order to clarify the current development environment of China's logistics industry

in the process of change, this chapter analyses the current situation of the development of China's logistics industry, and lays a realistic foundation for empirical analysis. Data graph of China's total logistics industry. (Figure 1).



**Figure 1. Total Amount of Logistics in China, unit (Trillion yuan)**  
(Data from: China Logistics Statistical Yearbook (2011-2019))

### THE PURPOSES FORMATION OF THE ARTICLE

With the rapid development of China's economy and the continuous expansion of Internet commerce, the logistics component of the China economy has ushered in unprecedented development prospects, and has gradually become the main industry of China's economic development. Due to the short development of logistics industry in China, there is no professional scientific research system, so there are many problems in the logistics component of the China economy. As a developing country with a vast territory and a large population, China's logistics industry shows a very unbalanced development trend. How to standardize the development of the logistics industry and how to solve the problem of large development differences between regions have become the main problems faced by practitioners of the logistics industry and the Chinese government. This paper will discuss how to solve the problems existing in the logistics component of the China economy from the two dimensions of enterprise and government.

### PRESENTING THE MAIN MATERIAL

The promotion of e-commerce to the logistics industry. It can be seen that China's express business volume keeps a high growth rate every year. Even if the express business volume base becomes larger, the growth rate is still at a high level. China's express delivery industry is still in the golden period of rapid development, and the proportion of personal logistics demand in the total logistics will increase year by year.[2] China's express delivery volume growth rate fluctuates greatly. The growth rate began to rise in 2011 and has maintained a high growth rate for many years, which is partly related to the rapid growth of China's e-commerce industry. Tmall launched singles' day in 2011, and after that, online promotional activities emerged one after another. The popularity and popularity of online shopping increased, which played a great role in promoting the personal demand of logistics industry. The following is the growth table of China's logistics business (Table 1).

**Table.1. China's logistics business**

Year	Business lines	The growth rate of
2011	18,58	---
2012	23,39	25,89%
2013	36,76	57,21%
2014	56,85	56,65%
2015	91,87	61,60%
2016	139,60	51,95%
2017	206,67	48,04%
2018	312,83	51,37%
2019	400,60	28,06%

(Data from: www.stats.gov.cn)

To achieve competitive advantages, increase economic efficiency and competitiveness should focus on building an indicative assessment of the logistics system of the enterprise. The corresponding system should have a well-defined list of elements that can be assessed according to certain indicators. Selection and evaluation of these

indicators will identify the problem components of the logistics component of a modern enterprise [3].

Logistics enterprises lead to the reform of the overall strength of logistics supply structure in China has realized the relatively substantial growth, according to the China federation of logistics and purchasing survey data show that in 2019 China top 50 logistics enterprises to achieve the main business income has more than 1 trillion yuan, the country has rating for A logistics company more than 5000, including 267 5 a-class logistics enterprises. On the other hand, with the further advance of the supply-side reform, the logistics industry is developing towards intelligent technology. A large number of advanced technologies in the logistics industry include UAV, unmanned warehouse, unmanned vehicle and robot technology, which are applied in the industry. Internet of Things technology is gradually popularized in China's logistics industry. [4] At present, more than 4 million heavy trucks in China are connected to the Beidou navigation system, which can realize real-time monitoring and positioning of logistics. At the same time, big data, cloud computing, block chain and other technologies are beginning to mature, as well as the development of platform economy, sharing economy and Internet +, which provides the possibility for China's logistics industry to further improve efficiency and realize overtaking on the curve.

The logistics component of the China economy is developing towards a benign situation, but there are still some problems. In terms of the supply situation, the reorganization of logistics enterprises, and the application of technology in China have begun to appear and continue to develop. However, compared with developed countries, China's logistics enterprises have a short start time and their overall level is relatively weak. Small logistics enterprises still account for the vast majority. Logistics enterprises lack the ability of standardized operation, clear strategic design, talent cultivation and reserve. In addition, China's logistics enterprises homogenization phenomenon is obvious, lack of differentiation, professional services, the competition between logistics enterprises is still based on price competition. [5] Small and medium-sized logistics enterprises mainly rely on low-cost labor, lack of investment in science and technology and good management mode, there is no relatively professional and high-end small logistics enterprises. Although there are several large logistics enterprises, they do not play a decisive role in the formation of logistics market norms and standards. Many technologies and operation standards are not unified, which leads to the increase of transaction and specific operation costs. Although logistics technology has made great progress, its popularity is still low. Technological progress can only have an impact on total factor productivity of the logistics industry in a small scope, and its driving effect on the improvement of efficiency of the entire logistics industry is not strong. Therefore, technological progress of the logistics industry has great room for improvement. Operation Modes of Major Logistics companies in China (Table 2).

**Table.2. Operation Modes of Major Logistics companies in China**

Enterprise	The main business	Competition in the way	Level
Shun Feng	Domestic logistics and a little international	Improve logistics efficiency	A
Yuan Tong	Domestic logistics business	The price	C
Yun Da	Domestic logistics business	The price	B
Shen Tong	Domestic logistics business	The price	B
EMS	Government business and international business	Government support	B

(Data from: www.baidu.com)

The government introduced relevant policies. With the increasingly prominent role of the logistics industry in the national economy, relevant state departments have formulated policies and measures to promote the cost reduction and efficiency increase of the logistics industry, the development of third-party logistics and cold chain logistics in accordance with the long-term development needs of the economy and logistics industry, so as to promote the healthy and rapid development of the logistics industry. [6] Based on their functional positioning, various departments of logistics industry development formulate relevant policies and measures to promote the healthy development of logistics industry and actively promote the improvement of technical efficiency of logistics industry. The following is a list of policies issued by the government in recent years to support the development of China's logistics industry. The following is a list of policies issued by the government in recent years to support the development of China's logistics industry (Table 3).

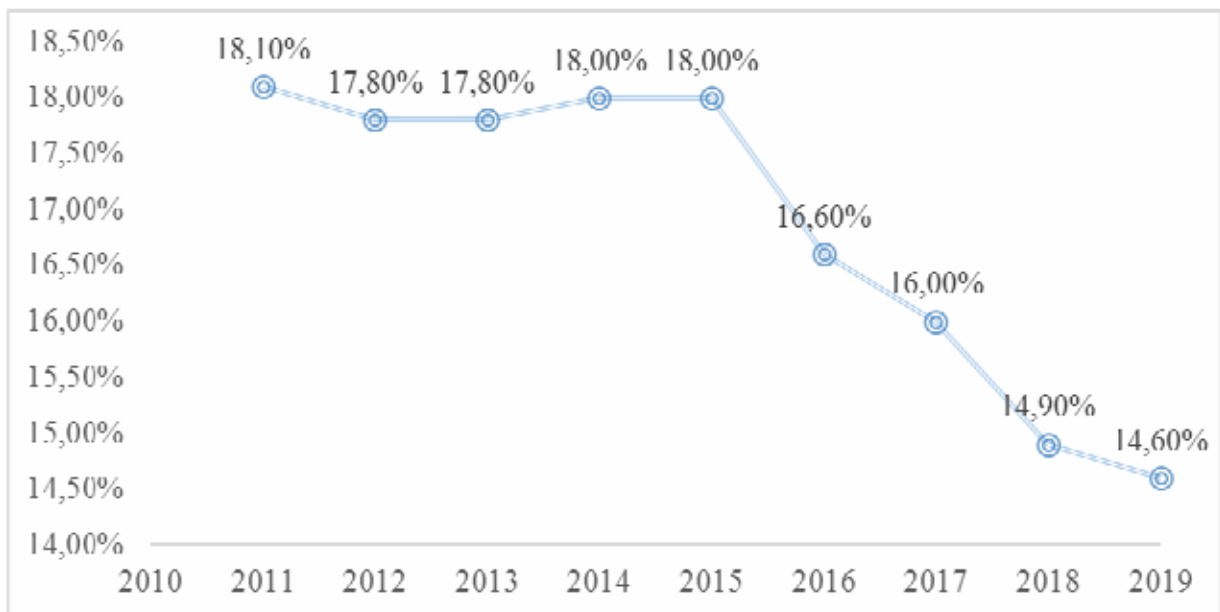
**Table.3. The list of policies issued by the government in recent years to support the development of China's logistics industry**

Year	A legal document	The main content
2013	Guidelines of the Ministry of Industry and Information Technology on promoting logistics informatization	Promote the intelligent and standardization of logistics information collection to ensure the accuracy, timeliness and completeness of information transmission.
2014	Medium - and long-term Development Plan for logistics industry 2014-2020	Overall planning for the medium - and long-term development of logistics industry, logistics industry is China's strategic industry and basic industry
2015	Some Opinions of the State Council on Improving the work of ports to Support the Development of Foreign Trade	To build special border cooperation and customs supervision special zones, to build modern economic exchanges of logistics park
2016	The 13th Five-Year Development Plan for comprehensive transport services	We will focus on developing all aspects of comprehensive transport services and promote the transformation and upgrading of comprehensive transport services.
2017	Opinions on Further promoting logistics cost reduction and efficiency Enhancement and promoting the Development of the Real Economy	The cost reduction and efficiency enhancement task of China's logistics industry is deployed
2018	Guidance on improving the quality of logistics services	At present, the problems of logistics quality development are gathered, and 9 key tasks are put forward
2019	Guidelines of the General Office of the State Council on accelerating the Development of The Consumer Service Industry and promoting the Upgrading of the Consumption Structure	We will accelerate the construction of a rural commerce circulation system and encourage the development of a comprehensive rural commerce market

(Data from: www.ndrc.gov.cn, generalized by the author)

The policy environment of China's logistics industry is being further improved, but the development speed of China's logistics industry is too rapid, and many potential problems in the development have not been highlighted. In the process of making policies, there is a lack of practical experience, and the actual updating speed of supporting development policies is slow. Moreover, at present, the development policies of the logistics industry mostly belong to the planning and guidance of the macro level, and there is a lack of specific rules and norms of practical operation. The implementation of other policies lacks sufficient research and results are not satisfactory, which hindering the improvement of logistics industry efficiency. For example, the value-added tax policy leads to a significant increase in the tax burden of logistics enterprises, which harms the growth of logistics enterprises. In the actual development process of logistics industry, there are still many policy obstacles, logistics park repeated construction, enterprise financing difficulties, standards in the process of transportation and high degree of enterprise homogenization problems are still more prominent, the need for corresponding policy support.

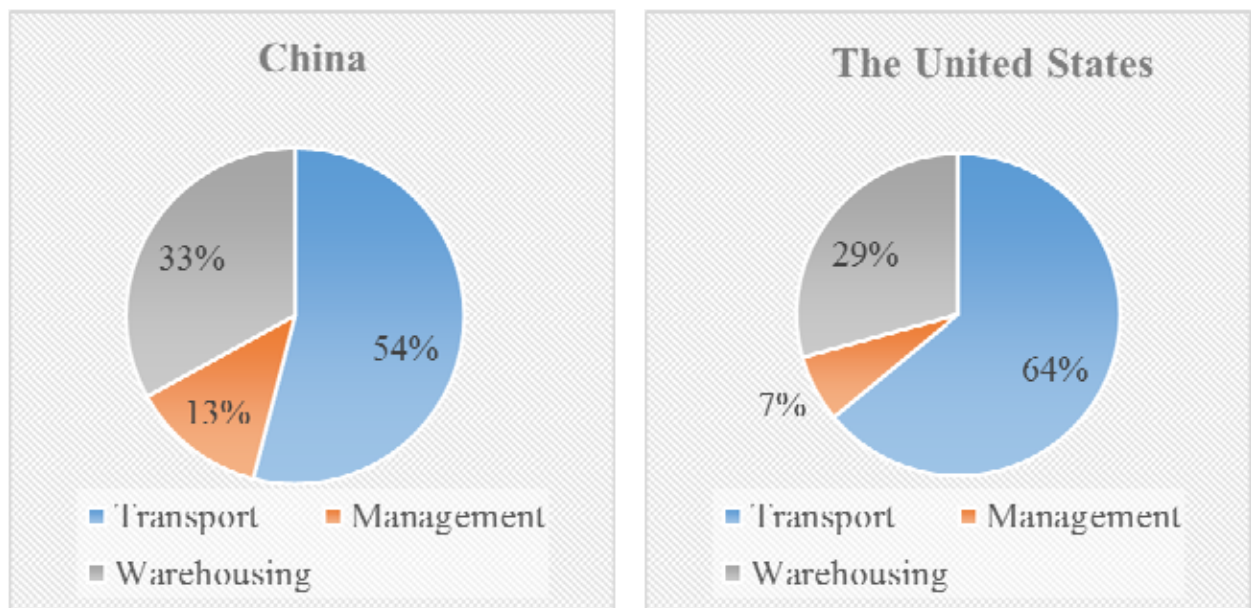
The ratio of total logistics cost to GDP is at a high level. Generally, the proportion of logistics cost in GDP is used to measure the resource organization operation degree of logistics industry. The higher this index is, the more serious is the waste of resources in the development of the logistics industry; conversely, the stronger is the ability of the logistics industry to organize and utilize resources, the better is the coordination degree of the logistics component of the China economy. In recent years, with the progress of technology and the improvement of logistics planning ability, the proportion of social logistics cost in GDP of China has gradually decreased, from 18.1% in 2011 to 14.6% in 2019, but still at a high level. The following is the proportion of logistics expenses in GDP. (Figure 2).



**Figure 2. The proportion of logistics expenses in GDP**  
 (Data from: China Logistics Statistical Yearbook (2011-2019), calculated by the author)

Before 2016, the proportion of China's logistics expenses in GDP remained around 18%, and the overall development efficiency of the logistics industry was low. Under the medium and long term planning of the government, the regional logistics industry in China has been improved in their respective administrative situation, the regional logistics coordination has a unified planning goal, and the logistics efficiency has been significantly improved. The share of social logistics expenses in GDP fell by 1.4% in 2014, and has been improving since then.

At the same time, we also have to see our social logistics costs as a percentage of GDP is still in a high level, than the world average level, the social total cost of logistics in China as a share of GDP was 2% higher, 7% higher than the United States, even compared with the emerging developing countries such as India, Brazil social total cost of logistics in country as a share of GDP has a big gap. China's logistics industry in the early stage of development is too fast, a large amount of capital into the logistics industry development is too extensive, professional division is not obvious, vicious competition, regional cohesion is not smooth and repeated construction and other problems are prominent. Due to extensive development, unreasonable conditions have appeared in both the industrial structure and the cost structure of the logistics industry. By comparing the following data between China and the United States, we can see the cost structure of the logistics industry. The following is the proportion of logistics cost in China and the United States. (Figure 3).



**Figure 3. The proportion of logistics cost in China and the United States.**  
 (Data from: www.baidu.com, generalized by the author)

In the structure of logistics cost in China, the proportion of management cost and storage cost is higher, among

which the biggest gap is the proportion of storage cost in China. The high storage cost reflects the slow turnover speed of China's logistics goods, low scientific and technological content and large inventory of enterprises, which are the key areas for the further development of China's logistics industry to improve. The high proportion of administrative expenses is mainly due to the low overall quality level of the labor force in China's logistics industry, the high difficulty in the management of employees, and the low degree of coordination between industries, which has caused a lot of waste of administrative expenses. [7] This also reflects the fact that there is a big gap between China's logistics industry and the United States in terms of technical efficiency, so we should pay attention to the innovation of management mode.

### CONCLUSIONS AND PERSPECTIVES OF FURTHER RESEARCH

The development of the logistics component of the China economy is at an initial stage, which requires the joint support and efforts of the government and enterprises.

With the rapid development of information technology, logistics industry has become one of the main pillars of national economy relying on electronic commerce. How to narrow the regional development difference of logistics industry and increase its contribution to national economy is the problem that the Chinese government and economic practitioners need to think about together. For enterprises, they should innovate logistics operation mode, improve logistics efficiency, introduce more advanced logistics technology, and expand more extensive logistics business. For the government, it should strengthen the support to domestic logistics industry and international logistics enterprises, and increase the support to enterprises from the legal and financial aspects.

The development of the logistics industry is a long-term academic topic. The logistics industry involves management science and economics, and contributes a wealth of practical theories to management science and economics in its development. It is hoped that in the future development, the logistics component of the China economy can learn more from foreign advanced logistics development experience, so as to promote the prosperity and development of the domestic economy and the world economy.

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