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Markets, Globalization & Development Review

Book Review

Liu, Lee, Jiao and Wang, Contemporary Logistics in China: An Introduction (2011)

Introduction

“Contemporary Logistics in China: An Introduction” is written by Binglian Liu, Shao-ju Lee, Zhilun Jiao, and Ling Wang (2011) who are affiliated with Modern Logistics Research Center, Nankai University (NU), China. Nankai University is a well-known university in Tianjin, an urban area that is one of the four direct-administered municipalities, representing the most developed and urbanized areas in China. Modern Logistics Research Center (MLRC) is a renowned research center, assigned the task of publishing a series of annual reports on China’s logistics industry for the state government agency since 2002. Among this book’s four authors, Professor Liu is the head of MLRC since its foundation in 2001, and the chief editor of Chinese Logistics Annual Report series since 2002. He served as the chief editor of the English book series until 2015, and continued to participate in the editing tasks of later publications. The second author, Professor Lee is an international logistics scholar with long academic experiences in both the US (California State University Northridge) and Taiwan (National Dong Hwa University). Different from the rest of the authors, Lee has not participated in the writing of the Chinese editions, but his efforts have been influential in making the series relevant and interesting to international readers, beyond just a simple translation of the Chinese edition. He has been the second editor of the series from 2011 until 2019 except for the 2015 edition. The third author, Jiao joined MLRC after his Ph.D. and has participated in the writing of the annual report as well as the publication of the English series during several years (e.g., 2012, 2013, 2015), including being the first author for the 2017 series (Jiao et al. 2017). The fourth author, Professor Wang has worked at NU since 1993 and joined the writing of the annual report series from 2002, gradually assuming a more important role in the series writing, being the first author of the 2016 series (Wang et al. 2016) and second author of the 2015 series (Liu et al. 2015).

I recommend this book, and more generally the whole series of “Contemporary Logistics in China” publications for the systematic description of the astounding growth of China’s logistics sector in the 21st century. With inside accounts of China’s logistics transformation

and development, the series offers valuable lessons for both academicians and practitioners.

Between 1978 and 2019, China's gross domestic product (GDP) has achieved an average annual growth rate of nearly 10 percent, faster than any other country over the same period, and it is three times the rate in the United States over the same period. Its GDP per capita increased from US\$156 in 1978 to US\$8,123 in 2016, lifting more than 800 million people out of poverty. In 1980, China's GDP was only 10.7 percent of the United States' GDP; 35.9 percent of Germany; and 43.3 percent of France. By 2017, however, China's GDP was 3.3 times Germany's; 4.6 times the UK's and 3.7 times France's (Song 2018). Today, China is the world's largest economy on a purchasing power parity (PPP) basis, and the world's largest manufacturer and exporter.

While people often wonder about China's economic miracle – and various explanations exist (e.g., Yueh 2013; Yang and Zhao 2015) – one unmistakable mark of China's growth is found in its great logistics networks. Once a country with backward roads and railways – where domestic travel time was calculated by days – now China's advanced highways, high-speed rails, and air networks have often changed the time unit to minutes. According to Liu et al. (2011), the annual growth of the total value of products using logistics services in China has been 17.5% between 2000 and 2008. The four-trillion-dollars incentive plan after the 2008 global financial crisis has further strengthened the sector as 38% of this incentive has been poured into the logistics sector, leading to many new railways, highways, and airports. The success of the logistics sector of China is visible not only in the modern infrastructure, but also in the booming third-party logistics service sector. Their service quality has largely exceeded the counterparts in the US by faster cargo and parcel delivery at a reasonable cost. For example, in the e-commerce sector of China, next-day delivery has become the norm of the industry while some players like JingDong have even promised free same-day delivery, a feat not achieved yet in the US – with a similar land area – by e-commerce giants like Amazon (Cendrowski 2015).

It is easy to marvel as an outsider at all these achievements. Academic research units along with government policymakers and industry practitioners, however, have to answer tough questions related to this spectacular success, especially about how these feats have been achieved and how one can replicate them in other developing countries. Such successes cannot be realized by money alone as many similar developing countries have invested billions of dollars, often resulting in a few white-elephant projects, but without a vibrant national logistics sector. When China is eager to export its success to countries around – with the ambitious *One Belt One Road* (OBOR)

mega-projects – China also needs to answer these questions clearly so that it can convince skeptics around the world. This book series can thus be a valuable resource for researchers to explore answers to these questions.

Overview of the Book and the Series

“Contemporary Logistics in China: An Introduction” was the translation and recompilation of the original Chinese Annual Report of 2009 on its logistics sector, with a special emphasis on the industrial response to the global financial crisis in 2008. There are seven chapters in the book. The first chapter, titled “Environment for the development of logistics in China”, is a brief summary of the external environment of China’s logistics industry between 2001 and 2009, covering both the economic development of China as a whole, the demand side of the sector, and major policies aimed at the sector, the regulative side. The next chapter, “Development status of China’s logistics market”, provides a panoramic overview of the logistics sector as well as its development from 2001 to 2009. The first two chapters as a whole provide a broad introductory overview of the sector for international readers.

Shifting from the overview to a greater level of details, the next four chapters then contain more specific, in-depth analyses of various logistics sectors and current issues in China. Chapter 3 covers the infrastructure of China’s logistics sector, one hallmark of the China economic miracle. The development of railways and high-speed rail (one of the “Four New Inventions of China”, Wikipedia 2017), airports and cargo hubs, seaports and inland waterways, highways, logistics parks, and information infrastructure are all presented in this chapter. Chapter 4 then moves to various regions of China, showing the different development stages of the logistics sector across coastal and inland regions. It then further explores the logistics status of three key industrial regions of China, the Yangtze River Delta with Shanghai as the central city, the Pearl River Delta centering in Guangzhou and Shenzhen, and the Bohai Rim Region covering both Beijing and Tianjin. Chapter 5 takes another perspective, examining China’s logistics sector from industrial angles. It focuses on three industries that require significant logistics involvements: the chain retail industry, the automotive industry, and the petroleum industry. The next chapter then looks at a few emerging logistics topics in 2008, including emergency logistics and event logistics. Emergency logistics – also called humanitarian logistics – turned into prominence that year due to the Wenchuan Earthquake when the whole country rushed into the relief operation after the disaster. Event logistics gained spotlight that year due to the Beijing 2008 Summer Olympics. The chapter presents the logistics side of the games, covering the organization and management of the event, operating models, and assurance models as well.

The final chapter of the book examines the development prospects of China's logistics sector in the future, and many of these have already become reality after ten more years of growth.

As materials in the book were updated until late 2009, for readers interested in more recent achievements of China's logistics sector, the more recent publications in this series would be of interest. The second book in the series, "Contemporary Logistics in China: Transformation and Revitalization" (Liu et al. 2012), has largely followed the same structure of the first book with updated information, but selected another three specific industries: raw and fresh agricultural products (perishables), coal, and express delivery, to explore logistics insights.

One year later, the third book in the series, "Contemporary Logistics in China: Consolidation and Deepening" (Liu et al. 2013), has been revamped significantly in structure with 13 chapters in total. This volume includes more writings on specific topics such as Wuhan Metropolitan Cluster (Chapter 6), Inner Mongolia Autonomous Region (Chapter 7), logistics cost in China (Chapter 11), and coordination between manufacturing and logistics (Chapter 12). Since then, the series has become more and more diversified with different focus in each year. In addition to a few chapters on regional logistics, the 2014 book of the series focused on logistics innovation such as service innovation and online shopping logistics (Liu et al. 2014), and the 2015 book (Liu et al. 2015) on internationalization of Chinese logistics enterprises as well as cross-border e-commerce logistics.

The 2016 book (Wang et al. 2016) – started with a new theme as Government's *One Belt One Road* (OBOR) Initiative – has created new opportunities and challenges for China's logistics industry globally, with chapters like "development of regional logistics along the *One Belt and One Road*". On the other hand, the 2017 book (Jiao et al. 2017) took a more retrospective view to examine the status of China's logistics sector such as logistics park and logistics service providers. The 2018 book (Xiao et al. 2018) delved deep into four rapid expanding aspects within the logistics sector: third-party logistics, highway logistics, express-delivery logistics, and multimodal transport. Finally, the most recent book (Li et al. 2019) investigated the logistics development under the sharing economy as well as the cross-border logistics due to the OBOR project.

Conclusion with Takeaways

Personally, as a Chinese scholar who has left the country for many years, the book reviewed here and the subsequent series have transformed my impression of China's logistics industry significantly. It is no longer a sector that primarily seeks to learn from the Western

world but has become a sector worth emulating by many countries. In addition to providing a systematic exposition on the logistics development in China for the English-speaking community at large, I perceive two specific takeaways from the book and the series.

The first takeaway is the issue of logistics sector development in a developing country. For the development of a vibrant logistics sector, it is well known that a close collaboration between the public and the private sector is essential. Physical infrastructures like highways, high-speed rails, and airports are public goods, requiring significant government investments with no possibility of payback in the next five or ten years. Without the participation of the private sector, however, government investments can easily become beautiful-appearing but underused facilities without much contribution to the real development of logistics industries. During the development phase, the Chinese government has largely avoided this trap by putting in place various policies to encourage the growth of the private sector as well as policies to attract foreign investments to upgrade the sector. A once fragmentary, backward sector – even by the standard of the 1980s – has been successfully transformed into an efficient, vibrant, and innovative world-class industry with billions of dollars in revenues, dominated by local private players rather than foreign companies.

This book series contains valuable information for both academics and policymakers desiring to replicate the success of China, especially in other developing countries. In particular, the first two chapters of the 2011 book as well as in relevant chapters in the book series such as chapters in the 2017 book (Jiao et al. 2017) would be valuable resources to address the challenges of logistical development worldwide.

The second takeaway would be the development of e-commerce. With a service level above the rest of the world and a huge market share in the retailer market, e-commerce has already been called one of the Four New Inventions of China (Wikipedia 2017). Many countries in the world are eager to replicate the success of China and stimulate consumer consumption, especially in the era of COVID-19 pandemic when many consumers are shunning the physical contacts of traditional retail shopping malls. As the last mile delivery is essential to the success of e-commerce, a sophisticated but competitive logistics ecosystem is a must for a vibrant e-commerce sector. In the book series, e-commerce appeared first in Liu et al. (2013) with a chapter, and with a chapter every year since then, with more and more details. One of the authors of the book series, Dr. Jiao, is an expert in the field with a chapter contribution in almost each book. Year after year, his observations become deeper and his work “Internet revolution and characteristics of logistic service development in China” in Jiao et al.

(2017) and “Development of express logistics in China” in Xiao et al. (2018) would be of value for researchers and practitioners alike.

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