



**Asia-Pacific  
Economic Cooperation**

**Final Report  
APEC Workshop on  
Information Sharing on Logistics Services**

**--- Policy Options in the Context of Global Value Chain**

**December 12-13, 2013**

**Qingdao, People's Republic of China**

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## **I. Review**

On December 12th – 13th 2013, this project is implemented in the form of APEC Workshop on Information Sharing on Logistics Services held in Qingdao, People’s Republic of China. Speakers and active participants of more than 100 people from APEC member economies including Australia, Chile, China, Indonesia, Japan, Malaysia, Philippines, Chinese Taipei, Thailand, United States, Viet Nam, etc. and those from Chinese government and private sectors such as Ministry of Commerce of PRC, China Association of Trade in Services, China Express Association, China International Freight Forwarders Association, China Air Express, as well as representative from DHL, UPS, JC Logistics Service and DNV China took part in the workshop.

This workshop has directly contributed to the objective of Osaka Action Agenda Part One regarding the service improvement in the region – “APEC economies will take the Collective Actions with regard to services in the telecommunications, transportation, energy and tourism sectors, and continue to seek Collective Actions in other sectors” . This workshop also directly responded to APEC Leaders and Ministers’ reiteration on the importance of supply chain connectivity and dedicated outcomes to the APEC-wide target of a ten percent improvement by 2015 in supply-chain performance. This workshop also sought to achieve tangible results with the aim to ensure a better trade flow in APEC region to “Establish reliable supply chains” .

Key objectives of the workshop are improving understanding and awareness of APEC

economies on current situation and new trends of logistics services; enhancing communication and information sharing among APEC economies on the good practices and policies in this area; examining and exploring ways to help APEC economies, particularly for developing ones, to improve capacities of developing and managing sectors related to logistics services, and increasing their knowledge scope of exchanging information, experiences and opinions on the issues such as new development and trends of logistics services in APEC region, definition and scope of logistic services, related policies affecting logistics services in APEC economies, trade liberalization and facilitation in relevant sectors and good practices and case studies shared by different economies.

With the outputs from this workshop, we are providing the analyze from the following aspects: current situation of logistics services; new trends of logistics services in APEC region; trade liberalization and facilitation of logistics services among APEC economies; future policy options and recommendations on logistics services; corporation recommendations of logistics services among APEC economies.

## **II. Current Situation of Logistics Services**

In the context of Global Value Chain (GVC), the world today has witnessed an increasing volume of intra-industry trade, intra-firm trade, intermediary products trade, processing trade and outsourcing/arm length trade. As a result, cheap, timely and reliable logistic services are of great importance for any economy or corporation to be integrated with the value chain. For improving logistic services, the capacity of providers from private sector is a crucial factor, but government policies, institutions

and infrastructures also determine the overall performance of logistic service. As the World Bank Logistics Performance Index published in 2012 noted, quality infrastructure, regulatory regime for transportation, efficient customs clearance procedures are areas where government plays a decisive role.

However, concerning logistics and more broadly, the supply chain in APEC region, economies' performance varies and remains unbalanced. As presented in the World Bank Logistics Performance Index 2012, Singapore and Hong Kong, China rank the top two concerning their logistic performance while Peru ranks 60 and Papua New Guinea 128. Furthermore, a recent study indicated that trade in fast-growing economies is nearly twice as costly and half as speedy in mature economies (PWC). This unbalanced supply chain hampers trade efficiency, engenders resource waste and thus impedes regional trade development. As a result, in order to further liberalize and facilitate regional trade, APEC economies need to focus more on improving their logistic performance individually and as an integral entity.

The improvement of supply chain performance is possible only when chokepoints affecting every aspect of supply chain are identified and mitigated. In the current situation, several chokepoints are commonly recognized as major constraint of the performance of logistic services.

To start with, the lack of efficiency in border agencies is one of the major chokepoints. Customs is not the whole thing hindering supply chain performance. Delays and unexpected problems in border agencies, such as quality and standards inspection agencies, as well as health and sanitary agencies are also to blame. These inefficient

operations are due to under-resourced and short-staffed border administrations as well as burdensome procedures for documentations which all lead to inefficient border clearance.

Furthermore, variations of cross border standards and regulations and the lack of transparency for policies lead to the lack of coordination among government agencies.

It also sets obstacles for a clear and straightforward interaction between private service providers and public agencies and thus impedes the efficiency of logistic services.

Besides the lack of efficiency and transparency in border agencies, the transport infrastructure is also a problem. Underdeveloped multimodal transport capabilities lead to inefficient air, land and multimodal connectivity. What makes the situation worse is the lack of capacity of local or regional logistics sub-providers. The existing problems in border agencies and infrastructures contribute to the weak, unstable and inefficient supply chain.

An emerging chokepoint for supply chain is the growing concern for sustainability and scarcity of resources, and thus the concern for the sustainability of supply chain.

Evidence indicates that “logistics and freight-related activities may account for up to 15 percent of human carbon dioxide emissions, in part because of fossil fuels” (WB).

Moreover, unstable oil prices significantly affect the cost of logistic services and thus the price of commodities such as food. The over-reliance on fossil fuels bears the potential of sabotaging supply chain stability.

### **III. New trends of logistics services in APEC region**

Logistics industry continued to witness growth largely due to growth in retail, e-commerce and manufacturing sectors as the economy gradually warmed. The rising demand has led to an increase in employment sector. Building capacity of human resource for logistics industry has come to one of the priority. Qualified personnel with high occupational skill are required more deliberately within the workforce of logistics enterprises. Meanwhile, service level has improved by raised capacity of human resource.

The fast growth of E-commerce quickens the data exchange not only between customers and enterprises, but also across economies. E-Commerce generates sources of logistics/supply chain data from mobile devices, wireless, electronic onboard recorders, point of sale information and forecasts, ERP systems, RFID tags, smart sensors, web-based platforms, and other sources. The application of big data given by above sources along the supply chain could be forecasting management, analyzing logistics improvements, examining inventory optimization, designing network, evaluating customer analysis, investigating production run optimization, inspecting warehouse operations improvements, monitoring process/equipment, and sourcing analysis. High-speed and free access to information and communication tools on such an online platform among APEC economies desired more efficient logistics services.

New Energy technology has greatly expanded the availability of natural gas and oil in some of APEC economies. For example, inexpensive natural gas is pricing out coal for domestic US power plants. Oil shale development in the Bakken field is requiring

a massive realignment of US rail infrastructure to serve new fields.

Integrated network of transportation and logistics has been significantly improved within APEC economies. It contains integration of highway, rail, inland waterways, shipping and port/airport networks and establishment of intermodal nodes between economies. “Trans-Asia Railway Map” can be a great example as followed.



#### **IV. Trade liberalization and facilitation of logistics services among APEC economies**

The Free trade zone within the international context, are an instrument of universal application that has become a special development center. Due to the globalization of the economies, the universal context is the one to break the traditional barriers established by the economies for the protection of their industry and their production



of goods and services, considering the introduction in new markets and the acceptance of new products that regulate the internal prices to the consumer in a natural way as the basis of their well-being and development. Taking advantage of the economies of scale and the experience curve of the companies take them to obtain more favorable costs, and more competitive prices. To get this, it is necessary to have a high level of competitiveness, strategic abilities regarding technology, the knowledge, the infrastructure, and the mentality of the economies.

The FTZs in Chinese Taipei creates an excellent environment for transnational business operations by lowering barriers to flow of goods, commerce and people, combine the functions of seaports and airports with meeting all the needs for supply-chain management, to strengthen users' competitive advantage. There are 6 seaport and 1 airport in FTZs in Chinese Taipei. FTZs total trade volume reached NT\$ 501.9 billion : annual growth rate 65.85% in 2012. The trade volume has already reached NT\$ 501.9 billion Jan. - Sep., 2013, an increase of 48.41% compared with the same period the previous year; the whole year trade volume estimated at NT\$ 652.5 billion.

Right now, Chinese Taipei is creating the free economic pilot zones (FEPZs). There are three key ideas in FEPZs, which are liberalization, internationalization, and forward looking. FEPZs are forward to promoting faster and freer goods flows and increasing the value-added of goods with top logistics services, enabled by innovative customs administration and information clouds.

FEPZs prepare us for further economic liberalization and internationalization. More

service industries will be included in “virtual” FEPZs in future. Foreign and domestic businesses will be treated equally in FEPZs.

China (Shanghai) Pilot Free-Trade Zone is a free-trade zone launched in Shanghai on September 29, 2013. Backed by Chinese Premier Li Keqiang, it is the first free-trade zone launched by the Chinese government. The zone covers an area of 29 km, integrating four existing bonded zones — Waigaoqiao Free Trade Zone, Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. It is seen as a testing ground for a number of economic reforms. For example, It has been reported that the sale of video game consoles, banned in China since 2000, will be allowed within the zone. The Free Trade Zone will permit yuan convertibility and unrestricted foreign currency exchange, and a tax-free period of 10 years for the businesses in the area.

Few people doubt the potential of the free trade zone in catapulting Shanghai to the forefront of global logistics hubs. The tariff-free environment will enable the growth of offshore trade, offering new opportunities to many Chinese export enterprises in expanding their production capabilities to neighboring low cost markets, while concentrating on the higher value added front end and back end of the manufacturing process. Opening the door to foreign banks is helpful in starting up an offshore remarkable market in the free trade zone. But this must be augmented by the introduction of a set of rules to ensure transparency and a level playing field for all.

The harder problem that needs to be solved is the shortage of financial talents not only

in the execution of complex transactions, but also in risk control, liquidity management, business development and client service. Some bankers with extensive experience in offshore financial centers maintain that risk control is essential to ensuring success. And they agree that this is one of the weaker links among Chinese banks which have operated for years in a tightly controlled marketplace under State protection. In a relatively freer environment of the free trade zone, they will have to learn to protect themselves.

#### **V. Future Policy Options and Corporation Recommendations of Logistics Services Among APEC Economies.**

The trend towards globalization and logistics is in the process of reshaping transport activities. New strategic uses of logistics will continually alter the nature and culture of operations in companies. Governments will have to match these changes. The strategic advantage of logistics is likely to be most pronounced in terms of improvements in coordination and planning resulting in transport efficiency gains. However, it is important for governments to fully understand concepts of logistics and to stimulate economic competitiveness to achieve positive economic development. At the same time, governments need to reduce any negative impacts, so as to achieve a more balanced approach to economic growth, including sustainable development.

Production is fragmented across economies. Foreign content of exports is up (from 12% to 33% for China between 1995 and 2009. Hence to export more and be part of

the value chains, one needs cheap timely and reliable imports and exports and hence efficient logistics services. Logistics is only one of the determinants of GVCs location among many: endowments, supply and demand changes, risk, infrastructure, human capital, capacity of innovation, governance etc.

Getting quickly efficient logistics is very important. However, economies have never mattered as much as it does for air and road transport and as it did for maritime. Liberalization and bindings are the simplest, easiest and quickest way to get efficient logistics providers and hence to attract value chains. At present, the ability of governments to promote global logistics systems is limited by internal institutional and organisational constraints, as well as a lack of knowledge of logistics developments and of the effects of their policy actions. In many cases, freight transport policy reflects modal thinking without due regard being given to the need for integrated freight management as required by transport operators.

Paul Baumer also gives some recommendations in Intelligent Transportation Systems. Information and Communication Technologies are already transforming freight and logistics. The private infrastructure is far ahead of the public infrastructure. Government should remain the priority on next Generation Air Transportation System. In the future, vehicle to vehicle communication and autonomous vehicles have enormous potential. Meanwhile, Hurricane Sandy in the fall of 2012 had enormous impact US policymakers. The ability for the transportation network to withstand

significant events (resiliency) is increasingly important. This includes not just rebuilding infrastructure to higher standards, but also ensuring redundant resources are available, and that recovery capabilities are in place. In the supply chain world, this means communication with many, many different stakeholders Prof. Cheng-Min Feng finds the cooperative solutions to improve logistics performance as follow:

1. To improve the missing infrastructures and services
2. To harmonize rules and procedures
3. To standardize the facility and information
4. To apply the ICT (e.g. RFID, GPS, EDI)
5. To build the capacity building (training programs)
6. To share and exchange information and practices

In order to increase competitiveness by promoting the opportunities afforded by logistics and also achieving sustainable development, governments need to develop an integrated policy framework to achieve broader socio-economic objectives. The range of policy issues affecting the efficiency and sustainability of global logistics systems are wide and extend beyond the jurisdiction of narrowly focused government agencies charged solely with improving the performance of the transport sector. Also, since transport and logistics are interrelated with international trade, international finance, sustainable economic development, global climate change and regional and local concerns, the policy framework should be seen in a much broader context and be co-ordinated internationally, where appropriate. The strategic use of ICT is critical for

realizing advanced logistics systems. On the other hand, the high pace of change in this area poses a challenge. The increasing use of ICT in logistics resulting in fast, flexible development of transport on a global scale may pose a threat to achieving sustainability unless the policy requirement is rigorously defined. Many governments are lagging behind in the development of a policy framework that could promote the effective use of ICT to the benefit of transport efficiency and sustainability.

Yong Hu indicates the Key elements in improving supply chain performance. Recent studies conducted among APEC economies and in the United States concluded that raising baseline *de minimis* thresholds would generate net economic benefits. Another study estimated that raising the *de minimis* in the United States from the current USD 200 to USD 800 would lead to net gains of USD 17 million per annum. Increasing *de minimis* levels would allow a greater focus on commercial compliance issues such as Intellectual Property Rights. Higher *de minimis* levels will promote cross border e-commerce, increase trade and stimulate economic growth and employment. EDS industry fully support the establishment of supply chain capacity building fund. The fund will play critical role in improving supply chain performance:

1. Fund should be aimed at tailor-made training for border agency staffs
2. Address the needs in implementation of single-window and paperless clearance priorities
3. Provide viable solutions to tackle the obstacles

Integrated transport infrastructure networks are prerequisites for global logistics systems. In many Asian economies, the development of freight transport infrastructure is a key issue. Developments in Asian logistics have not kept pace with its rapid growth and lag far behind those of North America and Europe. There is an imbalance in the amount of transport infrastructure and institutional measures between different economies in Asia, which leads to gaps and inefficiencies in the logistics system.

In order to achieve efficient global logistics systems, extensive co-operation and collaboration among private corporations, governments and international organizations is essential. Governments need to prepare for the framework for the development of advanced global logistics systems, where important cross-border issues such as custom clearance processes, deregulation and development and maintenance of intermodal systems should be addressed. Therefore, governments are advised to co-operate and integrate their policies at a global level by, for example, harmonizing regulations, streamlining ICT-based operations in custom clearance systems, standardizing new technologies in order to promote seamless operations, compatible training and qualification systems and promoting extensive information exchange among all affected stakeholders.

It is clear that the task of establishing efficient global logistics networks with minimal environmental impact cannot be accomplished by one corporation or one government. For example, when considering environmental burdens, total emissions generated by

the supply chain should be taken into account. The environmental improvement achieved in one economy by transferring some operations elsewhere might result in transferring pollution and environmental degradation to another economy. Optimizing at a higher level of organization, co-ordination and technology is a prerequisite for logistics in general and intermodal transport in particular. This higher level of organization will not always be established by itself in a free market.

Therefore, building efficient and environmentally friendly logistics systems requires extensive co-operation and collaboration among private corporations, governments and international organizations in many different areas. In particular, it is extremely important to find a balanced way of completing the task so that the resulting hardware facilities and information structures and systems help developing economies realize sustainable economic and social development while they benefit developed economies by providing a better foundation for global competition. Studies underway through APEC seek to improve and increase awareness of intermodals in the Asia-Pacific region. For example, Japan, Singapore and Hong Kong, China could provide insight on how to improve and enhance policies aimed at the promotion of integrated intermodal systems in the region.



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