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[Field Research]

A Study on Change of Logistics Environment in Northeast Asia and Logistics Hub Strategy of China

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Abstract

Purpose – The purpose of this study is to find out how shipping company recognizes making partnership with the third party logistics provider and to give implication.

Research design, data and methodology – Personal interview and questionnaire by E-mail, Fax, Mail, and telephone were used. 700 copies of the questionnaires were distributed and 155 copied were returned. Among collected questionnaires, 20 copies were excluded because of insufficient content, and therefore 135 copies were used.

Results – Korea should change into new paradigm from old one based on current economic and social systems which has stemmed from bureaucracy, inflexibility chauvinism and equalitarianism. Flexible policies, administration and systems will be needed for better business practices. The Domestic logistics corporation needs to preoccupy strategic logistics hub and network.

Conclusions – To be a center of North East Logistics, Korea needs more reasonable business law, systems and policies. Social norms and orders should be established to accomplish political and social security. A paradigm of the policy ruling over development of capital city and satellite cities shall make change.

Keywords: Northeast Asia, Chinese Logistics System, Logistics Hub Strategies.

JEL Classifications: F01, L91, L92.

1. Introduction

In December 2005, China opened the logistics market completely for the limitation of foreign business share, and let multi-national logistics business enter the Chinese market and expanded business. Multi-national logistics businesses established logistics facilities in China to build up service networks from the end of 2004. They expanded investment to construct distribution base and branch offices, and invested in logistics market since 2005. After joining WTO in 2001, logistics industry in China could have logistics base in world production base to increase demand on international logistics service owing to rapid growth of foreign trade. Therefore, global logistics enterprises made great effort to enter China, and most of them had not only production base but also logistics base in China.

Logistics and distribution market in China have been opened to reorganize corporate structure and to let shippers cognize logistics outsourcing much more. And, foreign logistics businesses joined logistics markets in China to let shippers in China cognize logistics outsourcing and to be likely to expand logistics service scale in China quickly. China could not develop logistics service better than the advanced countries did, and did not spread logistics outsourcing because of less opening of corporate culture.

And, logistics industry in China had very low efficiency to be short of logistics professionals. A policy should be made to collect objective information on logistics industry in China and to analyze and keep in order to have counter strategy on domestic logistics businesses' entry into the Chinese market.

This study investigated the changes of logistics market at development of the Chinese economy and foreign trade to approach Chinese logistics market and infrastructure which are based on the recent materials in China. Moreover, it investigated the changes of logistics market in China at subscription to WTO and tried to describe strategic subjects of logistics business in Korea to enter logistics market in China.

The purpose of the study was to investigate the state of logistics infrastructure in China as well as logistics enterprises' entry into logistics market in China and to establish Korean logistics enterprises' entry into the Chinese market and to help Korean logistics enterprises' entry into the Chinese market.

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2. Precedent Studies

2.1. Analysis upon precedent studies

The Chinese logistics industry in initial stage didn't have macroscopic control system with low infrastructure, market and services. Nonetheless, global logistics enterprises entered the Chinese market and Chinese government supported logistics to develop economy and information very much quickly and to grow Chinese logistics industry promptly.

In Korea, investigation into logistics policy has been done from the point of view of logistics infrastructure to investigate strategies for the promotion of logistics center in Northeast Asia according to analysis upon logistics industry and infrastructure in China (Won, 2005). Mutual cooperation of logistics which is based on the supplementation between Korea and China was needed to suggest supplementation of legal system, build up of technical software, alleviation of licenses for multi-modal transport and expansion of freedom of air transport between China and Korea.

Around joining of WTO, Chinese government had ineffective control system on the Chinese logistics market to be short of laws and regulations (Won & Joe, 2006). In the microscopic analysis upon logistics market in China, Korean enterprises in China should select target regions carefully to have strategic ties with the Chinese enterprises and to enter 3PL market.

Korean enterprises were difficult to solve logistics problems from the point of small business based on cooperation between Korean enterprises and Chinese enterprises, so that logistics agents should be developed to control logistics by the 4th party (Ye, 2005).

A case study emphasized the importance of third party logistics to investigate introduction and application of 3PL logistics system (Hoffman, 2007). A counteraction should be taken to let Korean 3PL logistics enterprises enter Chinese 3PL market based on decision making of selection of 3PL logistics.

"A study on harbour logistics concentration in China - focused on Shanghai Port and Jiangjiang (Lee, 2007)" investigated logistics concentration in Chinese ports by internal factor and external factor to examine Shanghai port development and logistics as well as Jiangjiang basin development and logistics and to find out Korea's counteractions.

The logistics market in China made change in accordance with change of corporate policy from the point of view of logistics enterprises to describe changes of logistics market in China and to give counteractions of Korean Government and logistics enterprises (Choi, 2009; Lee, 2009).

This study described effects of Chinese enterprises' SCM strategy integration upon logistics enterprises' business outcome based on not only Chinese logistics enterprises' SCM strategy integration, but also the changes of Chinese logistics environment.

As such, a lot of studies have described the rapid growth of Chinese logistics infrastructure to suggest counteractions and to give common and political theory that could not give on the spot findings of enterprises in China nor discover concrete subjects and to research abstractively without concept. Research on the Bohai Area having a lot of Korean enterprises was needed to give Korean enterprises concrete and systematic logistics strategy.

2.2. Features of Logistics Infrastructure in China

Logistics having great influence upon manufacturers' production costs had close relation with corporate competitiveness: The State Council survey said that labor cost of industrial business in China occupied 10% of production cost and logistics cost did as many as 40% to occupy 20% of GDP from the point of view of logistics cost in the society.

Logistics infrastructure in China had features: Changes of logistics of consumer goods and appearance of professional logistics business. In China, most of large-scaled retailers had their own warehouses and/or trucks to rely upon self-logistics. In China, logistics businesses had types:

2.2.1. Type 1 : International logistics enterprise from foreign countries

Foreign logistics enterprises in China extended logistics network to China to give logistics service when customers of multi-national enterprises entered China. Maersk Logistics of Denmark gave Maersk and shippers logistics service to supply services in accordance with logistics demand in China. And, FedEx, UPS, TNT, DHL and other international logistics enterprises entered express service market in China.

2.2.2. Type 2 : Logistics enterprises made change from traditional transportation, warehousing and wholesale business

The 2nd type of logistics enterprise developed logistics service by using customers, facilities and network to expand market and to be modern logistics business. Tianjin Company (天津有限公司), a subsidiary of Sinotrans, had made business tie with Motorola standardized logistics service in accordance with not only customer market developed but also logistics needs changed to give international combined transport service by single airfreight service. Tianjin Company expanded scope of logistics network from Tianjin to all of China to increase service scale. And, Cosco, China Shipping, Resources, China Post, Chin Materials Storage and Transport Co. CRE and CRMLC also developed logistics service.

2.2.3. Type 3 : New logistics service business

New logistics business included Baogong Logistics (寶供物流工司) and GBL at Guangzhou and Kumok Logistics (新O物流公司) at Shanghai, and Hwaun Logistics (華運通物流公司) at Beijing. Those logistics enterprises could obtain updated logistics control by transaction with foreign enterprises to give various kinds of logistics services and to keep high competitiveness at keen competition. The venture type of logistics enterprises played important role at development of logistics business in China.

3. Changes of Logistics Infrastructure in China

3.1. Structure of Logistics Industry in China

3.1.1. Foreign Logistics Enterprises' Entry into the Chinese Market

The logistics industry in China had difficulty in realizing freight transportation and storage: When China gradually became factory in the world, logistics expense in China had great influence upon commodity prices in the world to increase Chinese logistics industry's marketability and to expand scope of the entry.

Major enterprises in the world invested in China to produce center of manufacturing industry and to let a lot of multinational enterprises enter China <Table 1>:

<Table 1> Multinational logistics enterprises' entry into the Chinese market

Enterprises	Time of entry	Ways and methods	Contents
DHL	1980	Make agency agreement of air transportation with Sinotrans	Established Sinotrans-DHL, joint venture firm, by investment of fifty to fifty with Sinotrans in 1986 to extend joint venture agreement another 50 years in 2003 and to invest 570 million dollars and to obtain 5% share of Sinotrans and become the largest shareholder in China.
Schenker	1981	Opened office at Guangzhou	Took over 25% share of Shanghai Express in 2002, and established Shenker BITCC Logistics in joint venture with BITCC to have 70% share.
FedEx	1984	Air courier service in joint venture with Air China	Established air logistics denter at Shinbaiwin Airport in Guangzhou in 2004 to open branch offices at Hangzhou, Ningbo, Zeungsan and Santou and to build up Hwadongnam network. Established joint venture firm with Sinotrans in 1984, and EAS in 1997 to make change with DTW Group at ration of fifty to fifty and to take over remaining 50% share of DWT Group in 2006.
UPS	1988	Agency agreement with Sinotrans	Established Sinotrans-UPS of air transportation joint venture at Beijing at 50 to 50 and obtained remaining 50% share from Sinotrans-UPS and to get international courier service license in 23 areas in China in December 2004.
TNT	1988	International courier service joint venture with Sinotrans	Invested 30 million dollars to open joint venture of Shanghai Automotive Logistics with SAIC at ratio of 50:50 and to give automobile logistics service in 2001 and to make joint venture agreement with HOAU in 2003 and to take over from 2005 by investing 135 million dollars in 2007 and to make strategic partnership with joint venture with COSCO group to get market in Asia and Pacific Regions (2005).
BAX Global	1995	Beijing office	Opened offices at 8 port cities to have 2 logistics centers in 1999 and to have WFOE Logistics Company in Shanghai in 2000 and to open WFOE in Guangzhou April 2004 and in Shanghai December 2004 according to CEPA.
Prologis	2003	Regional headquarters in Shanghai	Invested to open logistics centers at 18 cities: Dalian, Beijing, Tianjin, Qingdao, Nanjing, Useok, Suzhou, Shanghai, Hangzhou, Ningbo, Gahong, Gwangzhou, Posan, Shenzen, Cheongdu, Chongqing, and Jangsha (total area of 714,000m2, and warehouses, and rented 97% in January 2007). Constructed modern factories and warehouses.

Source: Choi, Lee, & Jang (2008, p.159).

3.1.2. Changes of Logistics Market in China after joining WTO

Foreign-funded enterprises rapidly joined production and distribution business in China after joining WTO.

From 2004, Chinese Government permitted the opening of foreign logistics business in accordance with WTO Agreement to let a lot of multinational enterprises enter logistics market in China in the way of joint venture.

The foreign funded logistics enterprises entered the Chinese market to do international freight, postal and delivery service, and international freight transport, sea transportation, logistics real estate business, the 3rd party logistics business and others.

The foreign funded enterprises entered the Chinese market to increase scale of Chinese logistics market rapidly. Demand on logistics in China exceeded 2 times of economic growth, and the total value of social logistics in China from 2001 to 2007 accounted for 293 trillion Yuan to record 23.3% of annual growth rate. Logistics demand coefficient per GDP increased 2 times or more from 1:1.4 in 1991 to 1: 2.8 in 2007 so economic growth in China relied upon logistics industry. Demand on logistics gradually increased at industrialization. Total value of social logistics in China in 2007 accounted for 75 trillion Yuan to be 26.3% up than previous year owing to the rapid growth of industrial products and imported product.

During 11th term 5 years plan from 2005 to 2010, logistics industry in China was in the process of industrialization to make change of industrial structure and to convert economic growth way and to expand logistics of productive service business to the areas of production, construction and foreign trade so that industrial structure was likely to make change and to convert economic growth way.

3.1.3. Logistics outsourcing

A lot of manufacturers and distribution businesses in China have done outsourcing of logistics to save costs. “The 6th term survey on supply and demand of logistics market in China by the Association of Warehouses in China” said that more than half of manufacturers and commercial businesses were ready to cooperate with new logistics enterprises. A survey on logistics market of major manufacturers by the Committee of National Development in 2008 said increase of 5 to 10% of sales logistics outsourcing and 10 to 15% of transportation and warehousing outsourcing. The fact showed that not only Chinese enterprises but also foreign enterprises in China were influenced.

3.2. Logistics Market in China

3.2.1. Growth of Private Logistics Enterprises

Logistics enterprises in China could be classified depending upon ownership and business properties. First, these days, large scaled government owned logistics enterprises did business of transport, warehousing and freight transport agency to convert into 3rd party logistics and 4th party logistics, such as COSCO, CMST, China Shipping and China Post that had large scaled assets and nationwide network in relations to Chinese government.

Second, newly born private logistics enterprises did business of special logistics, for instance, Yuancheng Group, PGL, DTW, Hoau and ZJS Express. Those enterprises had state-of-art logistics knowledge and management know-how to be small scaled and to be short of finance.

Third, secondary logistics companies such as Haier and Chunlan were independent from newly born logistics enterprises, government owned manufacturers and/or private manufacturers and logistics enterprises restructuring to concentrate upon specific areas and special industry logistics and to give total logistics solution.

3.2.2. Growth of Chinese Logistics Enterprises

Since 1999, logistics industry development policy of the Chinese Government and more logistics enterprises were established. About 38% of 50 major logistics enterprises in China were founded after 2000. Some enterprises owned by government did logistics business at the time of plan economy in China to be newly born.

Long time experience, nationwide networks, rich assets and the use of financial resources were said to be important factors for the success of logistic enterprises. Two third of high ranking 50 logistics enterprises in China owned by government occupied enterprises and their holding companies. And, seven of high ranking 10 enterprises and two of holding companies were government which owned enterprises.

50 major logistics enterprises' registered capital and fixed asset increased more than in 2008. Most of the enterprises had more than 50 million Yuan of fixed asset to record 500 million Yuan of sales in 2008. 50 high ranking logistics enterprises gave logistics service of transportation, storage, packing, customs clearance, logistics IT system, logistics consulting services and other logistics services.

3.2.3. Strategic Tie between Businesses

CNPL(中郵物流公司) built up terminal networks at five major places from 2001 to 2007 to connect postal freight transportation platforms including 31 provinces by postal train transportation and trucking. Not only information network but also finance network was built up to improve postal logistics service quality and operating efficiency. Cosco Group made partnership with COSTACO(中國外輪理貨總公司) to strengthen business chain of Cosco.

In 2006, not only SITC Maritime's logistics division but also New Times International Transport Service of the largest private outbound air forwarder in China was merged to establish SITC Logistics and to make distribution network expansion plan that could support 75% of regions in China. These days, strategic tie between logistics enterprises in China is increasing.

3.3. Logistics Hub in China

These days, logistics market in China is developing logistics infrastructure very much to overcome long time unbalance between supply and demand of the logistics. For more than 20 years Reform and Opening in China, railways, roads, harbours, airports and other logistics infrastructures greatly developed scales and technology. Chinese Government also adopted development of logistics industry to be important policy and to look for new changes. The development of logistics industry in China could develop not only Chinese economy but also foreign trade continuously. Logistics industry in China had features:

<Table 2> Types of logistics industry in China

Sections	Traditional logistics enterprises	Newly born logistics enterprises	Foreign logistics enterprises	Subsidiary logistics enterprises
Features	Private management company privatized from large-scaled government owned corporation.	Concentrate on local logistics and/or special area service	American, European and/or Asian logistics business	Independent from manufacture and/or distribution business
Advantages	Nationwide network, powerful	Effective management, good	Enormous international network, rich	Professionalism of internal

	cognition, close relation with the government, and easy supply of finance, and enormous logistics asset	adaptation and flexibility, and ownership of fixed assets to a certain degree	fiance and management experience, good relations with foreign customers, advanced IT system	customers and services, wide distribution of network
Disadvantage	Excess of employees, complicated organization structure, lack of customer service mind, low level logistics service, low level IT system	Limitation on fixed assets, lack of financial source, low cognition	Lack of network in China, and lack of on-the-spot experience	Limitation on assets, difficulty at invitation of customers, parent company's influence and interference at establishment of strategies

Source: UPS (2014, p28).

First, enterprises in China cognized 'third profit source' in logistics areas in accordance with formation of end users' market to let many enterprises make effort to lessen logistics expenses. Logistics industry in China was developed at initial stage to manage logistics based on all of social logistics activities, and logistics market in China had demand on special logistics services to develop very much quickly. Multinational enterprises managed the production in China to sell, deliver, buy, and produce the enormous demand on special logistics service and to take the lead in development of logistics industry in China and to strengthen very much important market base.

Second, not only conversion into market system but also expansion of opening to foreign countries produced the ownership system of logistics enterprises such as government owned, privately owned and shareholders owned so that competition logistics market seemed to make appearance at initial stage. Sinocrans (中外運), Cosco (中遠), and other logistics enterprises that made change from traditional transport, warehousing and wholesale business expanded logistics service areas by using original logistics base as well as advantages of customers, facilities and management network to become modern logistics enterprises.

Third, logistics basic facilities and equipment in China developed their scale in initial stage. In China, transportation, warehouse facilities, information and communication, freight packing and transport and other logistics facilities and equipment were developed considerably last several years to be the essential base for the development of logistics industry in China. Freight built up five kinds of transport systems such as railway, roads, waterway, air and pipelines in order to develop quickly from the point of view of transportation lines, terminal construction, transport vehicles, and maintenance.

Despite of development of logistics market, enterprises and infrastructure, logistics industry in China was in the initial stage to be less developed than the one in advanced countries. The logistics industry in China that was retarded to be inefficient could not take actions against the increase of cargo volume effectively to prevent Chinese economy from growing up.

4. Prospect of Logistics Infrastructure in China and Strategic Subjects of Korea

4.1. Prospect of Logistics Infrastructure in China

Logistics market in China was likely to grow up rapidly owing to economic growth and expanded foreign trade, and they are expected to have good market potential and development prospect. China occupied 8% of world trade in 2011, and expected to be 14% in 2020 with the largest foreign trade country in the world (Global insight, US market survey company):

First, effective control of the logistics shall save costs, and logistics system will be developed quickly owing to more demand of harbours, aviation, courier service and cold chain, etc. Second, logistics market shall be subdivided depending upon features of the products, and logistics enterprises of special products shall make appearance to open supply net of the Chinese logistics market based on important competitiveness. Third, each local area shall make effort to expand logistics infrastructure in not only coastal areas but also Middle and Western regions. Fourth, enterprises shall expand autonomy to increase efficiency and to produce customer oriented and multi-functional value added services. Fifth, logistics market should be opened to allow foreign enterprises to enter Chinese market and to let government-owned enterprises, joint venture and foreign enterprises compete each other and to merger enterprises at competition. Sixth, supply chain management (SCM) theory of logistics industry shall be used as well as IT and high quality labor force. Seventh, the same kind of business under competition shall open joint distribution center to merge transportation and warehousing and to establish large scaled logistics enterprises.

Currently, foreign logistics businesses rush to China to let logistics enterprises compete to give better service: International logistics enterprises such as EXCL, Danzas, Maersk, APL, UPS and DHL shall build up logistics operation system by using IT technology, and Chinese logistics enterprises such as COSCO, Sinotrans, China and Post shall build up nationwide networks in China to give Chinese enterprises domestic logistics service.

4.2. Korean Logistics Enterprises' Entry Strategy into Chinese Logistics Market

China's WTO joining lowered customs duties to cancel and lessen quarter and to have affirmative influence upon Korea's export to China and to increase China's export to Korea from the long term point of view and to elevate China's export competitiveness and to lose Korea's share that are likely to have adverse influence.

Therefore, Korea shall find out a way for entering into logistics market in China that can keep position from the long term point of view.

4.2.1. Enterprise level

4.2.1.1. Inland logistics market oriented investment

Great development Strategy of Western China could expand inland logistics market to open logistics at WTO joining and to make change of Chinese government policy. It also could help world logistics enterprises enter China and make change of not only Korean enterprises' investment in China but also inland logistics environment.

Logistics industry in China had problems of lack and unbalance of logistics facilities. Considering variables of development of inland logistics market, an agreement should be made with business partners who knows logistics environment of target area to have competitiveness at entry into inland logistics market. Strategic tie with leading logistics business at target area shall be made to save initial investment cost and to link local business' infrastructure with Korean enterprises' management know-how and to obtain laws and regulations, know-how and labor force easily.

4.2.1.2. Entry into Logistics Market in China based on Competitiveness

Korean enterprises often entered China to save costs and labor costs, but they would face their limitation soon. This is because China follows production system based on not quantity but quality. Korea that have more competitiveness than China should have multi-lateral market approaches to strengthen their competitiveness.

DHL, UPS, TNT and other global logistics enterprises entered logistics market in China, and Pantos Logistics, Hanjin Shipping, Janggeum Merchant Maritime, Hyundai Logistics, and Hyundai Glovis and Korean logistics enterprises entered the market.

Korean logistics enterprises entered China in order to do business of shipping, logistics and stevedores. (see Table 3).

<Table 3> Korean logistics enterprises in China

Section	Name of company	Business types	Regions	Year of foundation
Foreign-owned enterprises	Janggeum Merchant Marine	Marine transport	Shanghai	2000
	Chaoyang (Dalian) Logistics	Marine transport	Liaoning	1994
	Chaoyang Merchant Marine (China)	Marine transport	Liaoning	1995
	Hanjin Shipping (China)	Transportation	Shanghai	1996
	Jinchon International Ferry (Tianjin)	Marine transport	Tianjin	1991
China-foreign joint venture	Dalian Hantong Logistics	Stevedore/ transport	Liaoning	1996
	Shandong Hanjin Shipping	Transport	Shandong	1993
	Ningbo Junghwa Jian Hanhwa Hwagong Warehousing	Warehousing	Zhejiang	1995
	Tsuborenjin International Freight Transport	Automobile transport	Shandong	1994
	Jianjiagangjinji storage and transport	Warehousing	Jiangsu	1997
	Shandong Hanjin Container Transport	Container transport	Shandong	1996
	Lungcheong Darung Marine	Deep sea transport	Shandong	2000
	Tianjin Jinwi Transport	Automobile transport	Tianjin	1997
	Shanghai Hanjin Freight	Automobile transport	Shanghai	1997
	Hwahan (Tianjin)	Warehousing	Tianjin	1994
	Hebei Keumho Transport	Automobile transport	Anhui	1997
	Shanghai Transport Daewoo Express	Automobile transport	Shanghai	1997
	Shanghai Incheon International Ferry	Marine transport	Shanghai	1998
	Uhan Hangwang Expressway Transport	Automobile transport	Hubei	1996
China foreign joint venture	Shanghai Hwaxing Container Automobile Transport	Transportation	Shanghai	1994

Source: Lee (2014).

4.2.1.3. Strategic Tie and Joint Venture

Logistics enterprises in China is likely to promote growth strategy by strategic tie with either domestic logistics enterprise or foreign logistics enterprise. This is because strategic tie and/or joint venture with business partner having overseas network, financial support, logistics system and management experience could be the supplement for shortage of the Chinese logistics enterprises. So, Korean logistics enterprises should establish their action strategy to enter Chinese logistics market.

4.2.1.4. IT based Logistics Service

Chinese government has adopted information policy and Chinese enterprises invested in information systems in various kinds of types. But Chinese shippers and 3PL did not introduce information technology. Chinese small logistics enterprises cognized that IT system was essential to improve logistics service, and had difficulty at a lot of investment cost as well as professionals.

Korean enterprises that want to enter Chinese logistics markets shall have professionals, software and tie with information system businesses to supply logistics service for IT development and to build up IT which is based logistics network of electronic products, home appliance, automobile and parts and consumer goods in cooperation with Korean manufacturers.

4.2.1.5. Cooperation with Korean Manufacturers and Distributors in China

Most of Korean distributors in China had difficulty in logistics at the lack of quantity and quality of logistics service in China and low reliability not to keep competitiveness. Korean logistics businesses should cooperate with distributors to solve problems of not only distribution complex but also excessive investment and moreover, to realize economy of scale and to create stable income source.

4.2.1.6. Specialization of Regions and Industries

Provinces and central government controlled cities in China had their own culture and characteristics to have feature of each region and different application of laws. So, in the beginning of the stage, regions shall be selected to enter easily the considering regional features of Huabei, Hwadong and Hwanan. Approaches were needed considering income base and/or customer base of each company, and expansion to another region was needed based on experience in specific region.

4.2.2. Industrial Level

4.2.2.1. Entry into the Market with Manufacturers

Manufacturers entering overseas market should build up strategic relations with help of logistics enterprises from initial stage. Foreign manufacturers investigated feasibility together with logistics enterprises from initial stage of selection of location to solve problems of logistics by entering market with the help of logistics enterprise.

However, Korean manufacturers were inclined to neglect values of the logistics. The manufacturers should compete with competitors under the quite different conditions at overseas market so that they needed to build up partnership by ties with professional logistics enterprise. So, they needed to do business with long term vision from initial stage to invite customers.

4.2.2.2. Mutual support system and window of Korean enterprises in China

Korean enterprises in China mostly had friendliness purpose meeting with Korean enterprises at neighboring places, but they did not have their system to rely upon friendliness of some of enterprises. Some of Korean enterprises in China made the Chinese people and/or Chinese enterprises suffer from losses and damages to give bad impression.

Korean enterprises in China could not express difficulties nor solve problems not to give ideas to agencies and organizations in China. A window should be opened to strengthen their relations between Korean enterprises in China and to collect and give information and to negotiate with agencies and/or groups.

4.2.2.3. Joint Logistics Help Center

Most of Korean enterprises in China could not do logistics activity systematically to have born a lot of burden of logistics. Korean enterprises in China had difficulties at customs clearance, inland transportation and storage not to get access to supply of the products to local market compared with other foreign enterprises: So, Korean enterprises in China should be given assistance systematically and effectively to lower the difficulty at competitiveness in Chinese market. A joint logistics help center should be opened in important places in China to support inland transportation and customs clearance and to do customs clearance, transportation, storing and transportation by railway and road and to give joint and/or special logistics information and to supply pallet and other logistics devices and equipment.

4.2.2.4. Chinese Government's Door Opening Policy and Legal Systems

The Chinese Government announced alleviation of regulation on foreign investment enterprises from 2005 to 2006 to develop logistics industry. Currently, foreign logistics enterprise having single license of transportation service were given their limitation on entry into trucking in China and others, and should do joint venture with the Chinese enterprises. Regulations of not only central government but also local governments such as provinces and central government controlled cities need to investigate. Local governments decided upon "Local roads transportation and control ordinance" and other transportation ordinances at their discretion to authorize permit of land and sea transportation depending upon values. So, regulations in different regions need to be investigated.

4.2.3. Government Level

4.2.3.1. Special Logistics Enterprises

Logistics enterprises in Korea shall give new services such as storage, assembling, processing, and export/import to be free from transportation oriented logistics service and to develop special logistics business and large scaled business and to have international competitiveness. IT based high added value service shall be supplied to develop general logistics enterprise and to build up software and infrastructure.

4.2.3.2. Tax systems

The Korean government shall give logistics enterprises incentive at overseas investment to promote overseas investment and large scale business and to develop enterprises having global competitiveness. The enforcement ordinance of the Act on Limitation on Special Case of Tax shall expand scope of assets for deduction of temporary investment tax value from current 15% to 30%. Transfer income tax of M&A between logistics enterprises shall be reduced.

4.2.3.3. Standardized logistics system

Logistics equipment and unit shall be automated and standardized to elevate efficiency, and logistics system in not only Korea but also in three countries in Northeast Asia shall be standardized to have competitiveness of logistics in Northeast Asia.

General logistics enterprise shall expand logistics facilities to build up information system for effective logistics and to develop state-of-the-art logistics technology and to give conditions. Logistics information system shall be standardized to promote internationalization and to create logistics hub in Northeast Asia by the Korean government.

4.2.3.4. Training of professionals and consulting service

The governmental support is needed to train professionals of Chinese market. Training of professionals requires long time and plenty of money so that enterprises may have difficulties at training because of the lack of finance and agencies. The Korean government shall open on-the-spot class of language and laws and regulations explanation to establish and integrate education center for training of working level experts and to satisfy demand on logistics service.

5. Conclusion

The economy and foreign trade in China are likely to develop continuously in the future, and Korean enterprises shall enter China more owing to the growth potential of logistics industry in China. Not only export to China but also Korea's import has increased rapidly.

Logistics market in China has not been mature to record 2-digit or more growth rate every year with unlimited market potential. The Chinese Government cognized economic development by logistics industry to spend enormous budget to expand infrastructure and to build up system, and to alleviate regulation in favor of foreign investors.

To help Korean enterprises enter logistics market in China, Korean enterprises shall elevate their competitiveness of area having comparative advantage to promote tie and joint venture of logistics enterprise and to give differentiated logistics service.

Manufacturers at overseas shall establish strategic relations from beginning of entry into China to solve problems and to remove difficulties of management activities in China and to set up and operate joint logistics center and to understand legal system in each region and to find out difference between target area and remaining areas.

The Korean government shall develop logistics enterprises to train professionals, standardize logistics system, elevate efficiency, and to expand logistics enterprises' entry into China by tax support.

After joining WTO, China has grown up quickly with having a lot of problems. Korean enterprises shall investigate the problems not only in logistics market in China but also Korean enterprises to enter Chinese market step by step with exact goals and strategies.

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