

2019 GLOBAL LOGISTICS GUIDE

BY MIKE OGLE

SOURCES: World Bank GDP 2017, World Bank Exports 2017, World Bank Imports 2017, Taiwan Data, U.S. Exports/Imports, Japan Exports/Imports, U.S. FDI July 2018 report, World Economic Forum, International Monetary Fund

***Inbound Logistics'* 15th annual Global Logistics Guide provides an around-the-world look at the issues, opportunities, and concerns likely to affect global supply chain networks.**

Supply chains don't thrive on uncertainty, but that is what they are getting in 2019. Uncertainty regarding the U.S.-China relationship is motivating many companies to spread their manufacturing and logistics bets around Asia, gambling on finding the region more open and able to help than in years past. Regional agreements make it even easier to identify locations to establish operations and trade more freely throughout Asia.

Brexit uncertainty has many countries and companies scrambling to develop contingency plans to either mitigate possible losses of trade with Britain or to step into the potential void and establish new opportunities. An interesting mix of investment in global trade agreements and infrastructure contrasts with growing protectionism and unrest around the world focused on perceived growing trade imbalances.

Following the money always helps, so we offer the latest available data on Foreign Direct Investment (FDI) to understand where recent flows from the United States are going. Despite the uncertainty, overall growth of just below 3 percent is expected worldwide in 2019, but has been continually downgraded, particularly in the Euro zone.

ASIA

Growing cooperation through trade pacts and joint investments among the region's countries is driving strength in Asia. Uncertainty surrounding the U.S.-China trade skirmish clouds the region's 2019 trade outlook. But the increased pressure and risk are already causing higher levels of investment in the region to flow to other countries—particularly Vietnam and Thailand, where labor costs are still low, but finding skilled workers is growing more challenging.

KEY

LPI The Logistics Performance Index ranges from 1 to 5, a higher score represents better performance. The World Bank provides this score based on its survey of forwarders and express carriers on the logistics "friendliness" of countries where they operate and trade. Countries are scored on customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness.

X FACTOR A +1, 0, or -1 score based on existing/potential disruptions or opportunities/strengths.

US FDI Foreign Direct Investment.

ALL AMOUNTS in US\$ billions.



VIETNAM

GDP	\$224	X FACTOR	1
EXPORTS	\$227		
IMPORTS	\$221		
US FDI	NA		

China's largest trading partner in the region, benefits most from U.S.-China trade issues • Aggressively participating in EU tariffs deal and the TPP, and joining WTO to increase global trade and encourage foreign investment • U.S. has become its largest export market, taking much of the low-tech, low-value work that once headed to China • Speed of companies shifting to seek non-China regional opportunities challenges short-term infrastructure availability and facilities capacity, but the country is willing to invest and partner to make growth happen.

3.27 WORLD BANK LPI SCORE



HONG KONG

GDP	\$341	X FACTOR	0
EXPORTS	\$642		
IMPORTS	\$639		
US FDI	\$81		

China-U.S. trade tensions slowing economic growth • Investing in high-speed rail hub and other links to mainland China • Uncertainty over long-term relationship with mainland and autonomy regarding trade and infrastructure policies, despite 50-year autonomy guarantees promised in 1997 • Once the primary gateway to most Asian countries, but now fifth-busiest container port due to growth of other China ports • Wealth still greatly depends on tourism, retail, finance, and trade • Desirability results in space shortages and high costs.

3.92 WORLD BANK LPI SCORE



CHINA

GDP	\$12,238	X FACTOR
EXPORTS	\$2,418	-1
IMPORTS	\$2,208	
US FDI	\$108	

U.S. trade war casts a potential shadow, but a growing middle class, strong and growing infrastructure, and technology strength provide counterbalance

- Shifting from a manufacturing base for exports toward services, consumption, and manufacturing for its own market
- Consumption is now more than half of the economy
- Concerns regarding central controls and intellectual property
- Multi-month manufacturing sector contraction not surprising due to trade tensions, but China also has governmental and industrial debt hangover.

3.61

WORLD BANK LPI SCORE



SOUTH KOREA

GDP	\$1,531	X FACTOR
EXPORTS	\$660	0
IMPORTS	\$577	
US FDI	\$42	

Identified as early winner of the U.S.-China trade war, but in a relative sense

- Strong center of manufacturing capability and exports, but traditionally concentrated in a group of large industrial conglomerates
- Currently affected by U.S.-China trade tensions and U.S. negotiations with North Korea
- Reunification could provide a boost
- Capable infrastructure and educated workforce with current low overall unemployment, but youth unemployment at 10 percent
- Shipbuilding strength as a percentage of world output falling.

3.61

WORLD BANK LPI SCORE



JAPAN

GDP	\$4,872	X FACTOR
EXPORTS	\$878	0
IMPORTS	\$850	
US FDI	\$129	

Stable, modern, tech-savvy, and pro-business economic policies make Japan the world's third-largest economy

- China slowdown affects exports
- Deal with EU eliminated most tariffs, primarily providing more cars and parts to EU, while greatly increasing openness for EU agricultural products in Japan
- Traditionally strong in automation and technical talent
- Debt-to-GDP still a concern
- U.S. friendly and strong regional trade and military ally, which helps maintain free flow of trade in the region.

4.03

WORLD BANK LPI SCORE



THAILAND

GDP	\$455	X FACTOR
EXPORTS	\$310	1
IMPORTS	\$249	
US FDI	\$15	

New leadership is campaigning to encourage foreign investment

- Large investments in transportation and digital infrastructure for freight and tourism
- Emphasis on Eastern Economic Corridor to connect to other regional trading partners
- Striving to rank in the top half of Bloomberg's Innovation Index within the next few years, but not yet part of TPP
- Historical leadership and rights concerns remain, but the country promises law and education reforms.

3.41 **WORLD BANK LPI SCORE**



INDIA

GDP	\$2,601	X FACTOR
EXPORTS	\$495	0
IMPORTS	\$573	
US FDI	\$44	

Diverse economy and large population with many highly educated people, but also many poor

- Increased emphasis on improving road and power infrastructure to encourage trade investments
- Strong move up to 35th from 54th in the Logistics Performance Index
- Still a high percentage of population in agricultural industry
- An emphasis on speaking English and historical western ties enable a strong information services industry, which drives supply chain excellence.

3.18 **WORLD BANK LPI SCORE**

SOUTHEAST ASIA & INDIA

The growing manufacturing capacity that is shifting from China to the rest of the region currently consists of lower-tech, lower-value goods for export rather than higher-tech, higher-value products. To expand, companies are laying off the risk to other countries in the region rather than moving out of China. The ASEAN Single Window initiative is helping regional economic integration by enabling electronic exchange of trade documents to expedite cargo clearance, so getting in with any ASEAN member can help speed flows throughout the region. That speed is important because omni-channel commerce using mobile devices is common throughout the region. In addition, the World Bank and Asian Infrastructure Investment Bank are making large infrastructure investments.



MALAYSIA

GDP	\$315	X FACTOR	0
EXPORTS	\$225		
IMPORTS	\$203		
US FDI	\$15		

Third-largest trading partner with EU, after China and Singapore • Viewed as likely beneficiary of U.S.-China trade friction • Scaling back ambitious rail and road infrastructure plans coordinated with China, but primarily to achieve more realistic loan repayments • The world's sixth-largest natural rubber producer and top producer of rubber gloves • Strong and growing electronics exports, but heavy reliance on China trade creates pressure • Trying to move up the value chain from lower-cost products.

3.22 WORLD BANK LPI SCORE



SINGAPORE

GDP	\$324	X FACTOR	1
EXPORTS	\$561		
IMPORTS	\$483		
US FDI	\$274		

Small, but positioned as a strong Asian hub for trade, particularly because of its location along vital trade routes and investments in physical and digital logistics infrastructure • Produces and consumes little in comparison to the amount of trade facilitated • Strong ports and infrastructure • Ranked fifth in the 2018 Global Innovation Index • Viewed as a top pro-business country with low corruption and tax rates • High GDP per capita with emphasis on education and higher-paying professions.

4.00 WORLD BANK LPI SCORE



TAIWAN

GDP	\$573	X FACTOR	-1
EXPORTS	\$317		
IMPORTS	\$260		
US FDI	\$17		

Remains an electronics production leader • Highly educated and traditionally Western-friendly • Push by U.S. and Chinese companies encouraged more integration with China, but current U.S.-China trade war leaves Taiwan in an uncertain position • Purchasing Managers' Index rank has fallen significantly over the past year to below 50 • Other countries have taken over Taiwan's previous leadership in many heavy industries.

3.60 WORLD BANK LPI SCORE



INDONESIA

GDP	\$1,016	X FACTOR	0
EXPORTS	\$207		
IMPORTS	\$195		
US FDI	\$15		

The world's fourth most populous country and largest market in Southeast Asia • Strong GDP growth, but also a fast-growing trade deficit, resulting in higher interest rates and import taxes • Greatly dependent on commodity pricing due to strength of natural resources, much of which helps fuel Chinese trade growth, but also suffers when demand drops • Rapidly expanding middle class • Many global brands willing to establish a presence in major cities.

3.15 WORLD BANK LPI SCORE



BANGLADESH

GDP	\$250	X FACTOR	0
EXPORTS	\$38		
IMPORTS	\$51		
US FDI	NA		

Approximately 11,000 garment factories, ranking second to China, provide the greatest boost to economic development and nearly 80 percent of exports • History of catastrophic flooding and poverty, plus industrial accidents, but reforms and 6 percent annual growth for a decade are changing the story • The United Nations says the country will soon be able to graduate from Least Developed Country status • Technical capabilities around the country are not strong, but largest cities have invested in digital infrastructure.

2.58 WORLD BANK LPI SCORE

KEY

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US FDI Foreign Direct Investment.

ALL AMOUNTS in US\$ billions.



FRANCE

GDP	\$2,583	X FACTOR
EXPORTS	\$798	0
IMPORTS	\$826	
US FDI	\$86	

Civil unrest wrapped around transportation issues • Unemployment high compared to other advanced economies in the region • Has a reputation for regulatory burdens on business • Strength in research institutions and well-positioned logistically • Capable infrastructure for current and increased trade, plus leading initiatives focused on flow of goods within cities • Healthy export growth • Concern over too much reliance on relatively lower-tech industries that face global competition.

3.84 WORLD BANK LPI SCORE

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UNITED KINGDOM

GDP	\$2,622	X FACTOR
EXPORTS	\$801	-1
IMPORTS	\$837	
US FDI	\$748	

Brexit uncertainty reportedly causing stockpiling plus heavy planning for alternative sourcing locations and facilities to maintain easy EU access • Risk of a potentially slower EU supply chain • Could be an opportunity for non-EU companies and countries wanting UK access to make deals • Still one of the most diverse countries in the world regarding the global distribution of goods • London will still be a financial flow capital and remain attractive to world trade.

3.99 WORLD BANK LPI SCORE



SWITZERLAND

GDP	\$679	X FACTOR
EXPORTS	\$441	0
IMPORTS	\$366	
US FDI	\$250	

Tops the 2018 Global Innovation Index • Recognized as one of the world's most open and sophisticated economies • Emphasizes quality education and R&D • Highly dependent on global trade, but GDP growth has been low in recent years • Due to its location, not known as a logistics hub, but has well-developed transportation infrastructure and a budget position to maintain it • Strong base for merchandising companies that facilitate global flows of goods without those goods actually passing through the country.

3.90 WORLD BANK LPI SCORE



CZECH REPUBLIC

GDP	\$216	X FACTOR
EXPORTS	\$171	0
IMPORTS	\$156	
US FDI	\$5	

Working with the EU as a low-cost industrial producer and exporter greatly boosted GDP and lowered unemployment • Approximately 80 percent of GDP relies on exports, creating greater exposure to economic cycles and trade contractions • One of the lowest unemployment rates in the EU, but that is constraining continued industrial growth and causing higher wages • Raising interest rates significantly to cool a booming economy • Large lithium reserve, estimated at 3 percent of world supply, may help fuel a lithium and battery industry to support auto manufacturers.

3.68 WORLD BANK LPI SCORE

EUROPE

The sheer size of the EU—both geographically and its 28 member countries—has the greatest influence on the region, providing unified trade direction and planning within the EU and globally. Not immune to global trade tensions and affected by an internal rise of protectionism within several members, the entire region would likely prefer no Brexit and certainly not a no-deal Brexit. Western Europe has great strength in markets, logistics infrastructure, and technical capability, particularly in high-tech-capable Germany and Switzerland, along with the Netherlands' logistics strength. Its many ports and interconnected road and rail systems provide advantages for companies establishing bases, whether within its EU members or not. Eastern Europe is still establishing logistics infrastructure, but the EU is emphasizing development of Eastern Europe capabilities through considerable investment. Domestic demand has been strong.



BELGIUM

GDP	\$493	X FACTOR
EXPORTS	\$419	0
IMPORTS	\$416	
US FDI	\$55	

Well-connected transport network, with Brussels serving as the EU center • Diversified economy includes both high-tech and heavy industry • Completely dependent on external energy sources and closing all nuclear facilities • Attempts to raise competitiveness by adjusting labor policies and benefits are causing increasing strike threats • High debt ratio • Heavily exposed to UK trade and Brexit outcome.

4.04 WORLD BANK LPI SCORE



GERMANY

GDP	\$3,677	X FACTOR
EXPORTS	\$1,737	0
IMPORTS	\$1,459	
US FDI	\$136	

Still a machinery and automation powerhouse • Strong tech, workforce, and innovation make it the leader in the region in manufacturing capacity and a center of EU finance and direction • Recent growth of the world's fifth-largest economy has slowed to around 1 percent and current downward revisions point to more of the same along with the rest of the Euro zone • Demographically challenged for continued growth • Energy challenges with plans to end production at all nuclear plants by 2022 and switch to renewables.

4.20 WORLD BANK LPI SCORE



NETHERLANDS

GDP	\$826	X FACTOR
EXPORTS	\$714	1
IMPORTS	\$618	
US FDI	\$937	

One of the world's strongest logistics hubs for global trade connections for a variety of products • The sixth-largest EU economy • Viewed as business-friendly, with an emphasis on education and high scores in almost every global business ranking • Capable in agriculture, but more in processing, making it second in agricultural exports. • Looking to build upon recently developed "Food Valley" food technology capabilities and research • Well-respected for openness regarding innovation and entrepreneurship.

4.02 WORLD BANK LPI SCORE



POLAND

GDP	\$526	X FACTOR
EXPORTS	\$286	0
IMPORTS	\$265	
US FDI	\$13	

Strong growth in past two years • Business-friendly in general, but not highly entrepreneurial, with excessive regulatory restrictions • Facing worker shortages due to economic successes and demands, plus a shrinking population • Turning to surrounding countries, primarily the Ukraine, to provide additional workers • Logistics infrastructure needs greater investment • A history of heavy industry, but has pursued diversifying its economy.

3.54 WORLD BANK LPI SCORE

NORTH AMERICA

North, Central, and South America clearly follow their separate identities, with three vastly different sets of economies.

North America is by far the best performer and the leader in infrastructure, political stability, and overall capabilities.

Central America is the weakest performer overall but has Panama as its shining difference maker, serving as the most likely base for any company wishing to not just reach regional markets, but to conduct international business as well.



CANADA

GDP	\$1,653	X FACTOR	0
EXPORTS	\$511		
IMPORTS	\$548		
US FDI	\$391		

U.S.-Canada trade relationship the greatest influence on economy and flow of goods, accounting for approximately 75 percent of Canadian exports

- Abundant natural resources, highly educated population, stable government
- Very capable east-west ports and road/rail systems infrastructure
- More open to immigration than U.S., but targets specific skills needs
- More plans than U.S. to participate in multi-country trade pacts
- Viewed as having restrictive policies regarding some industries such as electricity, air transport, and distribution.

3.73 WORLD BANK LPI SCORE



MEXICO

GDP	\$1,151	X FACTOR	0
EXPORTS	\$436		
IMPORTS	\$457		
US FDI	\$110		

The world's 11th largest economy has great promise as a close-by and high-volume trading partner to the U.S.

- Steadily becoming more competitive vs. China as a lower-cost producer
- Greatly encouraged by onset of USMCA
- Growing GDP recently at around 2 percent
- Inequality, poverty, crime remain concerns
- Transformed leadership promises corruption and crime reforms, plus increased public investment and support for an apprentice program
- More than 90 percent of trade is under free trade agreements.

3.05 WORLD BANK LPI SCORE



UNITED STATES

GDP	\$19,391	X FACTOR	0
EXPORTS	\$2,329		
IMPORTS	\$2,895		
US FDI	NA		

One of the world's economic bright spots in 2018 due to tax reform stimulus that boosted growth

- Low unemployment and job creation, but without significant increases in wages and inflation
- Shadows cast by China trade war, relationship with Mexico, an attitude toward multi-country trade agreements
- Growing deficit is a concern, particularly when considering potential infrastructure investments
- Strong technological capability
- High levels of oil and gas production have boosted economic position
- Deregulation fueling growth in many sectors.

3.89 WORLD BANK LPI SCORE

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US FDI Foreign Direct Investment.

ALL AMOUNTS in US\$ billions.



PANAMA

GDP	\$62	X FACTOR	1
EXPORTS	\$26		
IMPORTS	\$28		
US FDI	\$5		

Economic and logistics leader in Central America due to Panama Canal doubling of capacity and other infrastructure and finance investments • Strong GDP growth and historically fastest and longest economic expansion in Latin America, averaging about 6 percent for a quarter century • Rise of global trade helpful to economy, but also exposed to slowing of that trade due to global protectionism • Attractive base for business in the region with a good business-friendly reputation • Income distribution a concern, but high income per capita for Latin America.

3.28 WORLD BANK LPI SCORE



COLOMBIA

GDP	\$314	X FACTOR	0
EXPORTS	\$46		
IMPORTS	\$62		
US FDI	\$7		

Mining, oil exploration, market reforms, and greater stability in politics helped make great strides and shake off much of the reputation for drugs and civil conflict • More strides needed in developing logistics infrastructure, but high investment underway in a tripling of spending on transport infrastructure • Too much reliance still on energy and mining exports • World's second-largest cut flowers exporter, a fact not widely known • Corruption issues remain • Many free trade agreements developed and in progress.

2.94 WORLD BANK LPI SCORE



BRAZIL

GDP	\$2,056	X FACTOR	0
EXPORTS	\$258		
IMPORTS	\$237		
US FDI	\$68		

Largest Latin American economy and eighth largest in the world also has high level of debt • Strong foreign direct investment aimed toward developing its own economy rather than converting resources for export, however Chinese investment is high and typically focuses on resources • Low recent GDP growth expected to rise • Inflation at record lows • Wages higher than other average advanced economies and public pension system needs reform • Needs significant investment in transportation infrastructure • Working on free market reforms.

2.99 WORLD BANK LPI SCORE



CHILE

GDP	\$277	X FACTOR	1
EXPORTS	\$80		
IMPORTS	\$75		
US FDI	\$26		

Most prosperous and most North American-friendly trading nation in South America • First country to sign pre-emptive agreement with UK when/if Brexit is complete • First nation to sign free-trade agreement with China in 2005 • Long known for mining copper, also has the world's largest lithium reserves; pursuing a leadership position in batteries manufacturing, but currently most batteries are made in South Korea and China • Strong in agriculture, particularly wine and cherries • Focused on cutting red tape and continuing FDI growth.

3.32 WORLD BANK LPI SCORE

SOUTH AMERICA

South America is strong, but has little consistency from country to country. Brazil is the largest physically and economically, but international business friendliness is better found in Chile. Colombia is rising, but challenged by infrastructure issues. Venezuela is likely lost as a trade destination for a generation unless dramatic change takes place. Many rich resources exist, and for decades many have talked about South America's potential, but political instabilities and infrastructure have limited trade to agricultural resource-focused exports. Some of that focus will continue for South and Central America as advanced countries worldwide seek resources and locations for lower-value manufacturing work until their economies and stable leadership evolve and they begin turning toward internal development.

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US FDI Foreign Direct Investment.

ALL AMOUNTS in US\$ billions.



TURKEY

GDP	\$852	X FACTOR
EXPORTS	\$211	0
IMPORTS	\$250	
US FDI	\$4	

Suffered one of the largest currency collapses in recent history • Ranks well in infrastructure, education, and innovation, but uncertain political stability and freedoms • Despite leadership and relationship tensions, a strong free-market economy • Starting and running businesses difficult • Agriculture still a relatively high 25 percent of employment compared to peers • Highly dependent on imported energy, creating vulnerability to price changes • Developed great production and export diversity to become a good base for multi-national companies to establish a regional presence.

3.15 WORLD BANK LPI SCORE



UKRAINE

GDP	\$112	X FACTOR
EXPORTS	\$54	-1
IMPORTS	\$62	
US FDI	NA	

Since Crimea annexation, tensions with Russia continue to drag down trade and investment, but agreements have the EU replacing Russia as top trading partner • Strong traditional agricultural producer • Low but positive growth in recent years following previous heavy GDP drops • IMF providing funding boost to help with economic growth policies and stabilize cash flow • Increasingly trained and motivated workforce.

2.83 WORLD BANK LPI SCORE



RUSSIA

GDP	\$1,578	X FACTOR
EXPORTS	\$411	-1
IMPORTS	\$326	
US FDI	\$14	

Made progress over time to be more market-driven rather than a central planning state, but still too much state control and power in the hands of too few • A large, valuable economy for those who are willing to navigate the hurdles • High dependence on the price of the oil and gas it produces, causing large economic swings, but also exposed to the price of metals it produces, particularly aluminum and steel • International sanctions following global adventurism and interference have hurt the economy • Infrastructure to serve internal market is challenged.

2.76 WORLD BANK LPI SCORE

RUSSIA, TURKEY, UKRAINE

Russia has been the outsider as it continues to pursue conflicting policy with the EU and the rest of the world, but also continues to provide significant flows of energy to Europe. Sanctions and a challenged business environment are expected to continue both for Russia and its nearby neighbors, making the micro-region less attractive for investment.

MIDDLE EAST & AFRICA

The Middle East continues to be highly dependent on oil and gas, but all countries in this guide are diversifying their economies before reserves run out. Significant reforms encourage international businesses to invest in the Middle East, but may not be happening fast enough for young professionals looking for opportunities outside oil and gas. In Africa, countries vary in economic health and leadership stability, but infrastructure for trade within the continent remains challenged. South Africa, long the region's strongest economic star, faces challenges regarding race relations and some basic capabilities, such as water supply. However, its economy is diverse and focused on connecting with the world. With better infrastructure, South Africa will be well-positioned to be an even stronger leader.



SOUTH AFRICA

GDP	\$349	X FACTOR	0
EXPORTS	\$104		
IMPORTS	\$99		
US FDI	\$7		

Leads the region in political stability and history of strong trade ties to the western world, but also has significant inequality and high unemployment • Recent challenges with water availability, but has rich supplies of other natural resources • Best positioned to serve as the base of industrial operations in the region if it can develop better logistics infrastructure and political stability.

3.38 WORLD BANK LPI SCORE



UNITED ARAB EMIRATES

GDP	\$283	X FACTOR	0
EXPORTS	\$384		
IMPORTS	\$277		
US FDI	\$17		

Continues to diversify its economy beyond oil and gas, but those commodities still contribute to the majority of the country's wealth • Business friendly with free trade zones and low taxes as part of the plan to be the region's premier trade hub • Energy pricing still the greatest influence on economic measures • Diversifying the economy by enabling greater foreign ownership in businesses and allowing longer visas to encourage external business interests.

3.96 WORLD BANK LPI SCORE



QATAR

GDP	\$167	X FACTOR	0
EXPORTS	\$85		
IMPORTS	\$62		
US FDI	NA		

Oil and gas are greatest assets • Quitting OPEC surprised many • Signed agreement with EU to open up air transport, the first in the region • Conflict with other Gulf states over a variety of issues creates little opportunity to partner for growth • Faith in ability to develop infrastructure resulted in winning 2022 World Cup bid • Established new trade routes following 2017 blockage by Saudi Arabia, the UAE, and other states • Pushing to diversify in technology, finance, and services.

3.47 WORLD BANK LPI SCORE



SAUDI ARABIA

GDP	\$687	X FACTOR	0
EXPORTS	\$239		
IMPORTS	\$196		
US FDI	\$11		

With UAE, highly influential in the region • High unemployment among young people, attributed to employing many low-cost foreign workers • Prince Mohammed promises to grow opportunities for youth focused on developing a more diverse economy • Despite desire to reduce reliance on oil and gas, pursuing external projects internationally to compete with other multi-national companies since Saudi Aramco is state owned. • Rise of U.S. energy prominence impacts ability to sell and keeps prices artificially low.

3.01 WORLD BANK LPI SCORE

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