

2006 Global Logistics Guide

Doing business with counterparts overseas continues to grow in importance each year. Many U.S. businesses look to their offshore networks to streamline processes and improve supply chain synergies. Getting a better handle on the inbound logistics leg – from supplier or manufacturer to port of entry – not only affords companies greater control over the cost and movement of their goods, but also provides a clearer perspective on how and where they should locate strategic global facilities to meet marketplace demands. On the export side, understanding

infrastructure limitations in areas you sell to can help you compensate, and keep products flowing at the lowest cost and highest level of customer service.

Given the trade obstacles businesses have encountered during this past year – the aftermath of the Asian tsunami, hurricanes Katrina and Rita, ongoing conflict in the Middle East, and growing

security challenges – strategic sourcing and global logistics capabilities have become key competitive differentiators when considering which countries to do business with.

Whether entering new markets, realigning global distribution channels, or creating contingency options, businesses must perform due diligence to match logistics and sup-

ply management needs with available resources. *IL's* annual *Global Logistics Guide* offers a birds-eye view of select countries' capabilities to support logistics, transportation, and supply chain management best practices. Use this macro view of capabilities to evaluate and qualify a country's ability to support your logistics challenges, expansion opportunities, and strategic blueprint.

The *Global Logistics Guide* identifies hotspots as excelling in three key areas:

- 1. TRANSPORTATION INFRASTRUCTURE:** *The density and breadth of airport and port infrastructure.*
- 2. IT CAPABILITY:** *The ability to participate in efficiencies created by global information and communications technology (ICT), specifically in supply chain management and transportation.*
- 3. PEOPLE POWER:** *The strength and expertise of logistics talent.*

This year we have added an X-factor proviso to countries that have extenuating conditions that either add to or detract from their categorical rankings. Business culture and politics, political strife, progressive fiscal policy, and regressive policies all have bearing on both foreign and domestic investment in transportation, technology, and logistics education. These X factors can ultimately stymie or stimulate your ability to conduct logistics operations in that area.

The *Global Logistics Guide* serves as a mile marker for measuring countries that are either driving or taking a back seat to investing in transportation and logistics infrastructure. If you have any comments about our selections or methodology, please e-mail: editor@inboundlogistics.com.

CRITERIA FOR RANKINGS

LEADER: Established transportation and logistics culture and infrastructure with few obstacles to growth.

RIISING STAR: Up and coming transshipment location with growing foreign investment.

LAGGARD: Outdated or insufficient transportation and technology infrastructure further compromised by regressive political and/or economic policies.

* The Global Information Technology Report published by the World Economic Forum ranks 104 countries by their capacity to exploit global information and communications technology (ICT) developments. It uses the Networked Readiness Index to measure a nation or community's degree of preparation to participate in and benefit from ICT developments.

** All fiscal statistics have been converted to U.S. \$

SOURCES: U.S. Department of State; World Port Rankings, American Association of Port Authorities (AAPA); Airports Council International; World Economic Forum's Growth Competitiveness Index; World Economic Forum's Global Information Technology Report; U.S. Census Bureau Foreign Trade Index

The Americas

MEXICO: Rising Star

GDP:	\$717 billion
EXPORTS:	\$214 billion
IMPORTS:	\$224 billion
GITR RANK	60
INFRASTRUCTURE:	★★
PEOPLE POWER:	★

Like Canada, Mexican trade is inextricably linked to the U.S., with 88 percent of all exports going north of the border. This trend will continue as **Mexico's government spends more money developing transportation infrastructure, especially as port facilities become popular landbridge options for cargo moving inbound into the United States.** Despite an outdated IT network and lagging English proficiency, transportation infrastructure in Mexico is among the densest in the Americas and will become even more vital to global trade as port volumes increase.

KEY TO COUNTRY RANKINGS

★	Below average
★★	Average
★★★	Above average

GITR RANK: The Global Information Technology Report ranks 104 countries on their ability to capitalize on global IT and communications technology developments.

INFRASTRUCTURE: Density/breadth of airport/port infrastructure.

PEOPLE POWER: Logistics talent strength/expertise.

CHILE: Laggard

GDP:	\$97 billion
EXPORTS:	\$38 billion
IMPORTS:	\$30 billion
GITR RANK	35
INFRASTRUCTURE:	★
PEOPLE POWER:	★

While Chile is making great efforts investing in information technology, **infrastructure gaps and English proficiency are still lacking. Unemployment rates also remain high** – a result of restrictive labor laws – despite strong economic growth. Since 2003, Chile has been very proactive in pursuing trade agreements with the European Union, South Korea, the United States, and China among others, and has increased Foreign Direct Investment (FDI) from \$2.5 billion in 2003 to \$7.1 billion in 2004, thanks in great part to government incentives for investment.

CANADA: Leader

GDP:	\$1 trillion
EXPORTS:	\$365 billion
IMPORTS:	\$318 billion
GITR RANK	10
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★★★

In 2005, Canada's GDP surpassed \$1 trillion for the first time and its **economy continues to flourish thanks to its geographic and cultural proximity to the United States.** Its bilateral trade partnership with the United States is the largest in the world. In 2005, 59 percent of its imports and 85 percent of its exports came from and went to the United States, accounting for \$483 billion in trade.

BRAZIL: Rising Star

GDP:	\$606 billion
EXPORTS:	\$115 billion
IMPORTS:	\$78 billion
GITR RANK	46
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★

As the most progressive South American economy, Brazil has enjoyed strong export growth over the past few years, which many hope will balance out heavy government debt. While IT competency is still lacking, **on the transportation side Brazil is making waves. Three of its ports – Tubarao, Itaqui, and Santos – rank among the top 50 in the world** in total cargo volume, and Sao Paolo is among the top 40 cargo airports globally.

ARGENTINA: Laggard

GDP:	\$182 billion
EXPORTS:	\$40 billion
IMPORTS:	\$29 billion
GITR RANK	76
INFRASTRUCTURE:	★
PEOPLE POWER:	★

Argentina has been on the road to fiscal recovery since a major economic overhaul in 2002 curbed years of liberal government spending and borrowing, and political collusion. Exports continue to grow annually at a near double-digit percent clip thanks to the adoption of a market-based exchange rate. The second-largest economy in South America is making great strides as unemployment continues to drop, but **foreign investors are still wary about an economy that is just getting back on its feet.**

Europe

FRANCE: Rising Star

GDP:	\$2 trillion
EXPORTS:	\$443 billion
IMPORTS:	\$473 billion
GITR RANK	20
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★★

France has potential to become a major logistics and distribution player but faces challenges from **competitive neighbors Germany, the Netherlands, England, Belgium, and Switzerland**. Continued growth at primary ports in Marseille and Le Havre, and surging interest in Eastern Europe, will play to its favor but the country must do more to invite foreign investment.

FACTOR	Poor political relations with the U.S., excessive government taxation, and high labor costs may stifle U.S. foreign investment.
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SPAIN: Rising Star

GDP:	\$1 trillion
EXPORTS:	\$194 billion
IMPORTS:	\$272 billion
GITR RANK	29
INFRASTRUCTURE:	★★
PEOPLE POWER:	★★

Spain is strong in transportation infrastructure and logistics education. Valencia, Barcelona, and Algeciras are highly valued container ports and Madrid Baraja is a top cargo airport. The University of Zaragoza has partnered with MIT, local industry, and the government to sponsor the MIT-Zaragoza International Logistics Program, which offers faculty and students direct access to logistics activity and state-of-the-art technology in a real-world setting. **Spain has been proactive in developing strong trade with South America, North Africa, and the U.S.** as it evolves into a true global crossroads.

IRELAND: Leader

GDP:	\$194 billion
EXPORTS:	\$102 billion
IMPORTS:	\$66 billion
GITR RANK	22
INFRASTRUCTURE:	★
PEOPLE POWER:	★★★

The Celtic Tiger roars as Ireland's transformation into one of Europe's most dynamic economies continues. **Strengths in the IT, financial, and pharmaceutical sectors have enhanced the island's value proposition as a thriving European economy.** Its ancestral ties with the United States have also helped. The United States is Ireland's second-largest export destination and more than 570 U.S. subsidiaries do business in the country.

FACTOR	Solid financial, IT, and pharmaceutical sectors and close ancestral ties with the United States keep FDI in Ireland strong.
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GERMANY: Leader

GDP:	\$2.8 trillion
EXPORTS:	\$1 trillion
IMPORTS:	\$801 billion
GITR RANK	14
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★★

Germany has traditionally relied on the strength of its export market, which accounts for nearly one-third of its GDP. However, **high production and labor costs, and the migration of manufacturing to cheaper locations in Eastern Europe highlight the lack of diversity and inherent "social market economies" problems.** Germany's central Europe location could be pivotal if it shifts from production-oriented activities to distribution and logistics. Hamburg places ninth in the world for container traffic; Frankfurt ranks seventh for cargo airports.

UNITED KINGDOM: Leader

GDP:	\$2.3 trillion
EXPORTS:	\$373 billion
IMPORTS:	\$484 billion
GITR RANK	12
INFRASTRUCTURE:	★★
PEOPLE POWER:	★★★

The commonality of language and culture are inherent advantages to locating facilities in the UK, though **much like the United States, it is beginning to face similar capacity and congestion issues.** Felixstowe ranks among the top five container ports in Europe, and London Heathrow is among the world's top 20 cargo airports.

NETHERLANDS: Leader

GDP:	\$600 billion
EXPORTS:	\$365 billion
IMPORTS:	\$327 billion
GITR RANK	16
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★★★

Laying claim to the second-largest port globally in terms of cargo tonnage (Rotterdam), the Netherlands continues to pace the world in progressive transportation and technology policy. It ranks 11th in the world in IT readiness according to the World Economic Forum's IT Ranking, **has a well-educated labor pool, and is a vanguard in developing middle management logistics expertise.** The United States is its largest investor, and 1,600 U.S. companies have subsidiaries or offices based there.

BELGIUM: Leader

GDP:	\$361 billion
EXPORTS:	\$270 billion
IMPORTS:	\$265 billion
GITR RANK	26
INFRASTRUCTURE:	★★★
PEOPLE POWER:	★★

Centrally located in the heart of industrialized Europe, Belgium has **one of the world's best networks of canals, railways, ports, and roads.** Antwerp is among the top 15 ports in the world in terms of cargo tonnage and TEUs, and two top-50 airports – Brussels and Liege – are additional assets. Given its highly developed logistics and transportation infrastructure, and the fact it imports an abundance of raw material and parts that are finished then re-exported, Belgium has the foundation to become an even bigger player in European distribution.

SWEDEN: Laggard

GDP:	\$362 billion
EXPORTS:	\$127 billion
IMPORTS:	\$104 billion
GITR RANK	6
INFRASTRUCTURE:	★
PEOPLE POWER:	★★

Sweden excels in IT proficiency, ranks third in the World Economic Forum's Growth Competitiveness Index, and has a pedigree for excellence in manufacturing. Despite all this, **stifling taxation makes it an unwelcome place for businesses to locate facilities.** Its "socially democratic culture of innovation" continues to threaten long-term foreign and domestic investment, while homegrown businesses are looking to countries where government taxation is less restrictive and labor is cheaper.

FACTOR	Must do a better job balancing stagnant economic policies with socially progressive ones to attract and retain businesses.
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FINLAND: Rising Star

GDP:	\$191 billion
EXPORTS:	\$68 billion
IMPORTS:	\$57 billion
GITR RANK	3
INFRASTRUCTURE:	★
PEOPLE POWER:	★★

Finland's IT development ranks **third in the world according to the IT index, with particular strengths in innovation and its transition to a digital economy.** Helsinki is among the world's top financial capitals, which has helped the country become one of Europe's best-performing economies. Finland ranked first in the World Economic Forum's Growth Competitiveness Index. More than 80 percent of its foreign trade involves waterborne transport, which accounts for nearly 60 ports along the Baltic Sea. Further infrastructure development, and increased manufacturing outsourcing to Eastern Europe, will weigh heavily in its favor.

ESTONIA: Rising Star

GDP:	\$13 billion
EXPORTS:	\$7 billion
IMPORTS:	\$9 billion
GITR RANK	25
INFRASTRUCTURE:	★
PEOPLE POWER:	★★

Despite a paltry GDP, Estonia's free-market-based economy, which stresses economic reform by way of privatizing what were once primarily state-owned enterprises, has helped the country pave a path for future economic growth. It is **nearly energy independent, supplying the majority of its electricity needs with its own natural resources.** Despite a less-than-average standard of living, its accession into the EU bodes well for export growth and foreign investment. Estonia ranked 20th in the World Economic Forum's Growth Competitiveness Index, the highest among Eastern European countries.

CZECH REPUBLIC: Rising Star

GDP:	\$113 billion
EXPORTS:	\$78 billion
IMPORTS:	\$77 billion
GITR RANK	40
INFRASTRUCTURE:	★
PEOPLE POWER:	★★

The Czech Republic has been very successful reforming economic policies to be more amenable to foreign investors. Its **accession into the EU in 2004 eliminated trade barriers and privatized the financial sector, bringing greater credibility and sustainability** to the former communist stronghold. All this bodes well for American businesses looking to shift manufacturing to Eastern Europe. On the downside, rampant corruption has some investors wary.

KEY TO COUNTRY RANKINGS

★	Below average
★★	Average
★★★	Above average

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INFRASTRUCTURE: Density/breadth of airport/port infrastructure.

PEOPLE POWER: Logistics talent strength/expertise.

HUNGARY: Rising Star

GDP:	\$107 billion
EXPORTS:	\$62 billion
IMPORTS:	\$65 billion
GITR RANK	38
INFRASTRUCTURE:	★
PEOPLE POWER:	★★

Along with the Czech Republic and Estonia, Hungary is among Eastern Europe's more technologically evolved countries, and that bodes well for the newly initiated member of the EU. Like many of its peers, **privatization has been a huge economic driver, accounting for 80 percent of its GDP.** Much of the country's success in the post-Communist era has been a result of foreign investment. To date, investors have pumped nearly \$30 billion into Hungary's industrial sector, creating jobs and a lucrative export market.

Africa, Asia and The Middle East

RUSSIA: Laggard			
GDP:		\$740 billion	
EXPORTS:		\$245 billion	
IMPORTS:		\$125 billion	
GITR RANK	62	INFRASTRUCTURE:	★
		PEOPLE POWER:	★

Russia has come a long way, overcoming years of stagnant growth and little investment. Still, its **transportation infrastructure needs improvement and IT development is lagging behind the rest of the world**. On the plus side, Russia's wealth of untapped natural resources will likely attract foreign investment. Sakhalin Island, for example, is poised to become the next major global oil reserve.

CHINA: Leader			
GDP:		\$1.8 trillion	
EXPORTS:		\$752 billion	
IMPORTS:		\$632 billion	
GITR RANK	41	INFRASTRUCTURE:	★
		PEOPLE POWER:	★★
<p>China's pace of change, aggressive government investment in infrastructure, and push to lure businesses to its shores is unparalleled. But, cultural, political, and language differences make "going it alone" difficult, so most U.S. businesses rely on global 3PLs for help. While China is hot at the moment, many businesses are looking elsewhere in Asia and around the world as manufacturing costs along the coast rise with demand. Shanghai and Hong Kong rank among the top five ports globally for total cargo tonnage and containers. Five airports - Hong Kong and Shanghai Pudong included - rank among the top 50 cargo airports in the world.</p>			
FACTOR		Rapid growth and strong government leadership have China well on its way to becoming the world's top industrial country.	

SOUTH KOREA: Rising Star			
GDP:		\$727 billion	
EXPORTS:		\$278 billion	
IMPORTS:		\$248 billion	
GITR RANK	24	INFRASTRUCTURE:	★★★
		PEOPLE POWER:	★
<p>South Korea's economy ranked 17th in the world according to the 2005 World Economic Forum's Growth Competitiveness Index, and its solid IT foundation, location, and infrastructure make it an attractive outsourcing option. Four South Korean ports – Kwangyang, Ulsan, Incheon, and Busan – rank among the top 20 cargo ports in the world, though last year all were ranked in the top 13.</p>			
FACTOR		<p>The only major downside to its location is North Korea's increasing instability, which could threaten foreign investment moving forward.</p>	

JAPAN: Leader			
GDP:		\$5 trillion	
EXPORTS:		\$551 billion	
IMPORTS:		\$451 billion	
GITR RANK	8	INFRASTRUCTURE:	★★★
		PEOPLE POWER:	★★
<p>Japan is still coming to terms with the burst of its bubble economy in the late 1980s and government debt totalling 170 percent of GDP. Still, positive growth over the past two years has government optimistic that the economy is on the road to recovery. IT competency is among the best globally, and seven ports and three airports rank among the top 50 in the world in cargo volume.</p>			
FACTOR		The world's second-largest industrial economy still struggles to move past the 1990s, when over-investment caused GDP to grow on average 1.7 percent.	

UNITED ARAB EMIRATES: Leader			
GDP:		\$104 billion	
EXPORTS:		\$103 billion	
IMPORTS:		\$60 billion	
GITR RANK	23	INFRASTRUCTURE:	★★★
		PEOPLE POWER:	★★
The oil-rich desert nation is fast making a name for itself as a logistics and transportation crossroads. UAE ranks high in IT readiness and lays claim to the 11th-largest container port (Dubai) and two top-50 cargo airports (Dubai and Sharjah) . The country supports the U.S. war on terror, and has benefited from increased port and airport usage.			

INDIA: Rising Star			
GDP:		\$691 billion	
EXPORTS:		\$76 billion	
IMPORTS:		\$100 billion	
GITR RANK	39	INFRASTRUCTURE:	★★
		PEOPLE POWER:	★★★
China's neighbor to the southeast is building on its already strong reputation as a location for telecommunications outsourcing. India has a well-educated workforce proficient in English and the government is looking to further develop port infrastructure. India was the second-fastest-growing major economy in the world, with an 8.1-percent GDP growth rate at the end of the first quarter 2005/2006 . Still, concerns about transportation infrastructure and security remain obstacles to foreign investment.			

THAILAND: Rising Star			
GDP:		\$181 billion	
EXPORTS:		\$106 billion	
IMPORTS:		\$107 billion	
GITR RANK	36	INFRASTRUCTURE:	★★
		PEOPLE POWER:	★
A strong transportation backbone, which includes a major cargo airport (Bangkok) and seaport (Laem Chabang), is a huge asset to Thailand's economy. Because the country is still reeling from the devastation of the 2004 tsunami, some foreign investors may be concerned about short-term stability especially as the government has been prone to liberal spending and sweeping economic reform.			

MALAYSIA: Rising Star			
GDP:		\$124 billion	
EXPORTS:		\$147 billion	
IMPORTS:		\$119 billion	
GITR RANK	27	INFRASTRUCTURE:	★★
		PEOPLE POWER:	★★
Kuala Lumpur, the capital of Malaysia, ranks among the top 30 airports in the world for total cargo volume, joining Port Kelang as the two primary gateways into the country. English is spoken prevalently, among many other languages. Malaysia is heavily dependent on U.S./Asia trade; low inflation and little outside debt have helped the country maintain steady economic growth over the past two years.			

TAIWAN: Leader			
GDP:		\$334 billion	
EXPORTS:		\$185 billion	
IMPORTS:		\$173 billion	
GITR RANK	15	INFRASTRUCTURE:	★★★
		PEOPLE POWER:	★★
<p>Taiwan has all the resources for attracting more foreign investment: proximity to China, a top-tier IT foundation, and two major cargo facilities in Taipei and Kaohsiung. English proficiency is above average for the region and Taiwan's strength in electronics manufacturing is a highly valued asset among prospective outsourcers. Past strife with China may make investors wary, but recently Taiwan has been proactively cementing its trade alliance with the mainland as it taps into that growing import market.</p>			

SOUTH AFRICA: Rising Star			
GDP:		\$191 billion	
EXPORTS:		\$51 billion	
IMPORTS:		\$53 billion	
GITR RANK	34	INFRASTRUCTURE:	★
		PEOPLE POWER:	★★★
<p>The abolition of Apartheid has set a tone for economic liberalization in South Africa. The government has put its best foot forward to play a lesser role in the country's broader economic scheme, reducing tariffs and subsidies and encouraging privatization to lure foreign investment. Still, unemployment remains high and threatens to counter GDP growth. South Africa's transportation infrastructure is well-developed thanks to an abundance of natural resources and a thriving mining industry. The Port of Richards Bay ranks 31st in the world in total cargo volume.</p>			

SINGAPORE: Leader			
GDP:		\$114 billion	
EXPORTS:		\$212 billion	
IMPORTS:		\$188 billion	
GITR RANK	1	INFRASTRUCTURE:	★★★
		PEOPLE POWER:	★★★
Singapore is rich in more ways than one. The country remains a global leader in transportation and trade, excelling in every category. It ranks first in the IT index, sixth in the World Economic Forum's Growth Competitiveness Index, and is home to the busiest cargo port and eighth-busiest airport in the world. English is among its three primary languages, it has a well-educated workforce, and its proximity to China and India make it a viable transshipment location for U.S. businesses.			

AUSTRALIA: Leader			
GDP:		\$650 billion	
EXPORTS:		\$103 billion	
IMPORTS:		\$120 billion	
GITR RANK	11	INFRASTRUCTURE:	★★
		PEOPLE POWER:	★★★
Australia continues to shift its export identity from agricultural goods to more high-value products and services, despite an overall decline in manufacturing activity. It shares many cultural similarities with the U.S., as well as a mutual bond as an English colony. Its economy also shares elite company with the U.S., according to the World Economic Forum's Growth Competitiveness Index, where Australia ranks 10th . English is the spoken language and IT competency is in the top tier of the IT Index. Five of its ports are among the top 50 in the world in terms of cargo volume.			



NEW ZEALAND: <i>Rising Star</i>			
GDP:		\$100 billion	
EXPORTS:		\$100 billion	
IMPORTS:		\$25 billion	
GITR RANK	21	INFRASTRUCTURE:	★
		PEOPLE POWER:	★★★
<p>Strong agricultural exports and ties to its neighbor “up over” have helped New Zealand remain a competitive global trading partner. It ranked 16th in the 2005 World Economic Forum’s Growth Competitiveness Index. English is the primary language and IT infrastructure is above average. Despite the country’s relative isolation, American businesses find few obstacles to expansion.</p>			

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