2013 Global Logistics Guide

Intrigue permeates today's global climate. Economic crisis in Europe, North America's sluggish recovery, emerging South American economies, and Asia's appetite for consumables have cast supply chains in countless directions as U.S. companies explore new growth opportunities. The suggestion that globalization is approaching a tipping point is not as far-fetched as it might have once seemed. Businesses are exploring their options with an eye toward shrinking supply lines, and increasing demand responsiveness. Nearshoring and regionalization strategies bring more of the world into greater focus.

Consequently, companies are under even greater pressure to consider offshore investment, inroads, and expansion with a calculated view of total landed costs. Whether it's accounting for anti-dumping tariffs, evaluating inland logistics costs, or following the U.S. FDI money trail to countries that have a proven record supporting business investment, attention to detail is a must when matching sourcing, selling, and site selection strategies with unique business demands.

To help you make sense of these changing global dynamics, and map out locations for further exploration, *Inbound Logistics'* 9th annual *Global Logistics Guide* presents an updated transportation and logistics world atlas chock full of need-to-know information.

METHODOLOGY:

Countries are ranked on three criteria: Transportation infrastructure (1 to 4 points), IT competency (1 to 3 points), and Business culture (1 to 3 points). Points are totaled for all categories—taking into consideration X-Factor +/- points—to determine final ranking: 10 is highest, 3 is lowest.

Sources: U.S. Department of State; World Port Rankings, American Association of Port Authorities; Airports Council International; World Economic Forum's Growth Competitiveness Index; World Economic Forum's Global Information Technology Report; Central Intelligence Agency's World Fact Book; Bureau of Economic Analysis, U.S. Direct Investment Abroad; 2013 Index of Economic Freedom, The Heritage Foundation.

IL identifies global hotspots as excelling in three key critical areas:

1. TRANSPORTATION INFRASTRUCTURE. The density and breadth of airport, port, and road infrastructure.

2. IT COMPETENCY. The progressiveness of information and communication technology investment and development as measured by The World Economic Forum's Networked Readiness Index.

3. BUSINESS CULTURE. The strength and expertise of homegrown logistics talent, cultural and language similarities, government leadership, historical U.S. foreign direct investment outflows, and economic freedom. This index takes into account variables that might appeal to U.S. businesses, as well as pro-business sensibilities ranging from investment trends to future economic potential.

Some intangibles are at play as well. Our X-Factor provision considers other conditions—such as political stability, labor availability, and foreign investment policy—that may give businesses greater pause, or purpose, as they evaluate a country's logistics capabilities.

Our *Global Logistics Guide* offers a macro perspective of global regions to help you quantify and qualify expansion opportunities. We then break each area down with country-specific snapshots that identify strengths and weaknesses to help you align logistics and supply chain needs. If you have questions or comments about our methodology and selections, please email: editor@inboundlogistics.com

The Americas

As the Panama Canal's expansion nears completion, middle America is buzzing. Panama and Jamaica plan to establish global transshipment hubs to distribute an anticipated surge of freight moving through the Canal. Nearshoring chatter focuses on Mexico and South America as viable areas for U.S. companies to locate operations so they can better react to demand. The potential of a burgeoning natural gas market throughout North America, and the allure of cheap energy, will draw greater interest and investment from U.S. and global companies. In Latin America, transport infrastructure, cross-border efficiency, and social violence are challenges. Improved infrastructure, mode accessibility, and security and safety will expand opportunities in Mexico.

Canada

SCORE **8**

T I B X
2 3 3 0

GDP:	$1,770
EXPORTS:	$482
IMPORTS:	$481
FDI 2011:	$319

The country's trade strength lies in its natural resources, network of West Coast ports, and intermodal connections to the North American hinterland. The emergence of natural gas as a complement to oil promises to be a major investment stimulus.

Mexico

SCORE **6**

T I B X
1 1 2 2

GDP:	$1,163
EXPORTS:	$377
IMPORTS:	$379
FDI 2011:	$91

X-FACTOR New president Enrique Peña Nieto is making trade a priority—and the United States is numero uno. Despite rampant drug violence, the economy continues to grow and create jobs. As nearsourcing discussions continue, Mexico is in a prime position to benefit.

Panama

SCORE **7**

T I B X
3 2 2 0

GDP:	$35
EXPORTS:	$18
IMPORTS:	$24
FDI 2011:	$6

Panama Canal expansion buzz is bringing the country into focus as a future transshipment hub for the Americas. With established ports on either side of the isthmus, authorities are looking to develop and attract more value-added logistics capabilities.

Colombia

SCORE **5**

T I B X
2 1 1 1

GDP:	$365
EXPORTS:	$60
IMPORTS:	$56
FDI 2011:	$7

X-FACTOR Its free trade agreement with the United States, and proximity to the Panama Canal as South America's gateway, are favorable developments as the government looks to diversify an oil-driven economy, improve transport infrastructure, curb drug trafficking, and alleviate unemployment. Cartagena is an emerging port of reckoning.

Chile

SCORE **5**

T I B X
1 2 2 0

GDP:	$268
EXPORTS:	$84
IMPORTS:	$70
FDI 2011:	$34

What Chile lacks in transport connectivity it makes up for in technology progressiveness and sound economic policy. The country ranks as South America's "free-est" market and 7th in the world, according to The Heritage Foundation's annual study.

Brazil

SCORE **5**

T I B X
2 1 1 1

GDP:	$2,425
EXPORTS:	$256
IMPORTS:	$239
FDI 2011:	$71

X-FACTOR Despite an abundance of natural resources and burgeoning industrial pockets, transport and IT infrastructure failed to keep pace. Still, the country expects a huge swing in investment leading up to the 2014 World Cup and 2016 Summer Olympics.

FDI: U.S. Foreign Direct Investment, 2011
T: Transportation Infrastructure
I: IT Competency
B: Business Culture
X: X-Factor

All amounts in $US billions.

Germany

SCORE **9**

T	I	B	X
4	3	2	0

GDP:	$3,367
EXPORTS:	$1,492
IMPORTS:	$1,276
FDI 2011:	$107

A strong industrial and transportation backbone has served the country well during Europe's crisis. More importantly, labor market reforms over the past decade are paying dividends as unemployment remains relatively low.

Poland

SCORE **5**

T	I	B	X
1	2	2	0

GDP:	$470
EXPORTS:	$192
IMPORTS:	$207
FDI 2011:	$12

GDP has been growing at an annual average rate of 5% since 2007, and the country escaped the Eurozone crisis relatively unscathed - although some cracks are appearing. Domestic demand holds steady, and the country is emerging as an outsourcing hub as European manufacturing chases cheaper labor costs east.

Netherlands

SCORE **9**

T	I	B	X
4	3	2	0

GDP:	$770
EXPORTS:	$557
IMPORTS:	$490
FDI 2011:	$595

The country remains the top U.S. target for foreign direct investment. Of the approximately 2,300 international companies located in Amsterdam, one-third are U.S. businesses.

Belgium

SCORE **7**

T	I	B	X
4	2	1	0

GDP:	$477
EXPORTS:	$315
IMPORTS:	$325
FDI 2011:	$53

Transport infrastructure is a source of strength, with one port (Antwerp) and two airports (Brussels and Liege) among the world's Top 50 in cargo volume. The country's manufacturing sector is largely dependent on raw material imports, making it highly vulnerable to global commodity price fluctuations.

Switzerland

SCORE **8**

T	I	B	X
2	3	3	0

GDP:	$623
EXPORTS:	$298
IMPORTS:	$289
FDI 2011:	$125

While not immune to the economic cloud hovering over the Eurozone, Switzerland fared better than most. Domestic consumption and low unemployment stimulated positive GDP growth against expectations.

France

SCORE **5**

T	I	B	X
3	2	1	-1

GDP:	$2,580
EXPORTS:	$568
IMPORTS:	$659
FDI 2011:	$89

X-FACTOR Much of France's success at privatizing industry and pushing for economic reform - notably in the transport sector - has been negated by the perception that lax labor laws and a generous welfare program are incompatible with foreign business interests. That's a reputation it's trying to change.

Europe

The Eurozone crisis shocked the Continent's performance, and demonstrates how leadership and pro-business policies can shape a country's success or failure in the face of adversity. Recession has weighed heavily on France and Italy—two of Europe's top four economies—and placed even more burden on their social welfare systems. Austerity measures amid political upheaval and social unrest have created a sense of gloom and doom, which does little to stimulate foreign interest apart from predatory acquisitions.

Some positive signs include Germany and Switzerland banking on reputations, solid transport infrastructure, and domestic consumption to help sway positive GDP growth and stimulate recovery. The Netherlands, which is beginning to show cracks, still has a solid base of U.S. companies and foreign direct investment inflow.

Europe's fortunes appear to be shifting east—a development that has been a long time coming. While Eastern European nations have been slowly and deliberately emerging from Soviet control, they are virtually untapped markets for middle-class consumer growth. Poland is positioned to become the next big outsourcing revelation, and a bellwether for Eastern Europe's economic development at large.

Russia and Turkey, both straddling the Eurasian divide, are showing signs of promise—Russia as an emerging consumer market and Turkey as a dynamic manufacturing and transshipment destination.

Russia

GDP:	$1,954
EXPORTS:	$543
IMPORTS:	$358
FDI 2011:	$10

SCORE **5**

T	I	B	X
2	2	1	0

Compared to the rest of Europe, Russia is on an upswing. Despite the volatility of an oil-dependent economy, recent reports suggest the country will be the continent's largest consumer market by 2020 - providing ample incentive for investors.

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All amounts in $US billions.

Italy

GDP:	$1,980
EXPORTS:	$483
IMPORTS:	$470
FDI 2011:	$25

SCORE **4**

T	I	B	X
2	2	1	-1

X-FACTOR Among the hardest-hit European economies, the country faces political uncertainty following the shock referendum on Prime Minster Mario Monti's government in recent elections. Leadership questions and austerity mandates will do little to stimulate a shrinking economy.

Turkey

GDP:	$783
EXPORTS:	$154
IMPORTS:	$226
FDI 2011:	$5

SCORE **6**

T	I	B	X
2	2	1	1

X-FACTOR Government is taking advantage of the country's central location along the Suez trade by privatizing industry and creating a diversified economy beyond traditional agriculture and textile strengths. Port Ambarlı is a Black Sea gateway and emerging global container hub.

Middle East/Africa

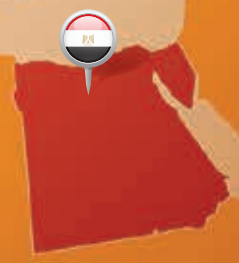
As Asian labor costs become less competitive, Africa is the logical next step. China has already made inroads into Nigeria and Angola to tap their rich oil reserves, spurring some development.

But myriad obstacles to entry in Africa remain. Social and political volatility, civil war, and a lack of necessary utilities to drive development are the tip of the iceberg. Transportation infrastructure, in terms of inland road networks and port complexes, are fractured. The continent lacks centralized trade gateways, which are key to efficient and economic freight movement.

While North Africa and South Africa are likely targets for investment by virtue of their locations and developed economies, they face their own problems. The Arab Summer uprising—a consequence of social inequalities and injustices—left Egypt's political situation in tatters. At the other end of the continent, South Africa suffers from poor transportation infrastructure, a reliance on over-the-road transport, and high costs.

The Middle East, by comparison, is making strides developing infrastructure and a reputation for transportation and distribution excellence. And as Africa's star continues to rise, the Middle East will be a primary thoroughfare for Asian interests.

Oil-rich countries such as United Arab Emirates, Saudi Arabia, Oman, and Bahrain are redirecting capital that once fueled a boom-and-bust real estate market—greatly impacted by the global slowdown—into world-class distribution and logistics infrastructure. Dubai World Central, which will feature Al Maktoum Airport, Jebel Ali Port, and a "logistics city" when complete by 2017, will be the region's focal point.



Egypt

GDP:	$255
EXPORTS:	$28
IMPORTS:	$59
FDI 2011:	$15

SCORE **3**

T	I	B	X
2	1	1	-1

X-FACTOR An unsettled social and political environment torpedoed the government's efforts to exploit economic reforms and the country's favorable location along the Suez trade.

United Arab Emirates

GDP:	$362
EXPORTS:	$301
IMPORTS:	$220
FDI 2011:	$6

SCORE **7**

T	I	B	X
3	2	2	0

The Emirates is successfully transitioning from an oil-driven oasis into a logistics hub. While construction-heavy real estate activity was impacted by the global recession, the country has been busy developing and expanding infrastructure to augment its position as a Middle East transshipment center.

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All amounts in $US billions.

Southeast Asia & India

The region's strength is in numbers. While India has long been regarded as the centerpiece in this emerging intra-Asia network—and perhaps still will be—anti-business regulations and protectionist trade policies stifle growth. Meanwhile, Malaysia, Indonesia, Thailand, the Philippines, and Vietnam are stealing India's thunder, feeding off and competing against one another to become China alternatives.

Southeast Asia's low debt levels allow countries to stimulate domestic spending and consumption, which had a positive impact during the global recession. Agriculture and textiles are staple commodities, but the region is establishing itself in industrial sectors including oil and gas, appliances, automotive, and chemicals. Singapore remains the mainstay transshipment hub for the region and the world.

Much of Southeast Asia's growing pains center on transport infrastructure. While port and airport complexes are well-developed and robust, inland connectivity failed to keep pace. Logistics cost as a percentage of product price is high in Indonesia and Thailand—an important consideration for companies doing business there.

Thailand

SCORE **5**

T	I	B	X
2	1	1	1

GDP:	$377
EXPORTS:	$218
IMPORTS:	$214
FDI 2011:	$11

X-FACTOR Transportation infrastructure remains an obstacle to growth, and a talent gap for certain industries is emerging. Still, a growing middle class helped stimulate domestic demand and 6% GDP growth over the past 3 years.

Malaysia

SCORE **6**

T	I	B	X
3	2	1	0

GDP:	$307
EXPORTS:	$240
IMPORTS:	$197
FDI 2011:	$14

The country features two ports (Kelang and Tanjung Pelepas) and one airport (Kuala Lumpur) among the world's Top 50 in cargo volume. Strong domestic demand, solid monetary policy, and a robust financial sector are driving a 5% GDP growth forecast for 2013.

Indonesia

SCORE **4**

T	I	B	X
2	1	1	0

GDP:	$895
EXPORTS:	$199
IMPORTS:	$185
FDI 2011:	$12

Despite its favorable location in a burgeoning Southeast Asia market, the archipelago struggles with high transport costs for delivering product to and from market. A recent port fees hike threatens to raise logistics costs to 20% of product price.

India

SCORE **5**

T	I	B	X
2	1	2	0

GDP:	$1,947
EXPORTS:	$309
IMPORTS:	$500
FDI 2011:	$25

India's economic awakening still balances on a precipice. Transport infrastructure and social imbalances are major obstacles. One positive sign: the government eased protectionist trade policies to attract more foreign investment, notably in retail.

Singapore

SCORE **8**

T	I	B	X
4	3	2	-1

GDP:	$268
EXPORTS:	$431
IMPORTS:	$390
FDI 2011:	$117

X-FACTOR As the world's foremost transshipment hub, the city-state is vulnerable to trade fluctuations. Recent improvements are due to biomedical manufacturing and transport engineering successes. But U.S. and Eurozone performance will likely dictate economic growth.

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Asia

China isn't going anywhere. But forward-thinking companies are still looking around the border to see what lies beyond. Compared to other global regions, infrastructure development is less of an obstacle to entry. But rising inflation and fast-changing demographics are casting Asia's old guard in a new light. Korea and Japan face the specter of aging populations and shrinking workforces. Japan is becoming less insular, while Korea has a well-established solidarity with the United States, strengthened by their recent free trade agreement.

Elsewhere, Taiwan is beholden to China. And no one knows what to expect from North Korea, which could prove to be a critical factor if the country's political posturing simmers down and the economy opens up. China would be a primary benefactor.

A booming middle class and domestic consumption on the mainland is driving the Asian economy. It's also drawing Southeast Asia into the picture as both a regional outsourcing conduit and a sourcing/selling location for U.S. companies.

China

SCORE **7**

T	I	B	X
3	2	2	0

GDP:	$8,250
EXPORTS:	$2,021
IMPORTS:	$1,780
FDI 2011:	$107

While its economy continues to hum, and domestic investment and consumption help balance slack export demand, inflation is forcing some companies to look elsewhere. A growing middle class presents new social challenges for a totalitarian government.

South Korea

SCORE **8**

T	I	B	X
3	3	2	-1

GDP:	$1,151
EXPORTS:	$548
IMPORTS:	$521
FDI 2011:	$32

Northeast Asia's first female president, Park Geun-hye, faces a monumental task managing diplomacy with North Korea, and dealing with an aging workforce. In terms of economic development, the "most wired country in the world" is looking to augment its strength in digital and bio technologies.

Japan

SCORE **8**

T	I	B	X
4	3	2	-1

GDP:	$5,984
EXPORTS:	$793
IMPORTS:	$857
FDI 2011:	$117

X-FACTOR The country's population and workforce is expected to shrink one-third by 2060, threatening to undermine its "keiretsu" vertical integration model. Still, it remains the world's third-largest economy, and a thriving innovator and producer. Efforts to pursue more liberal trade policies in the wake of the 2011 earthquake and tsunami, and global recession, are widely lauded.

Taiwan

SCORE **7**

T	I	B	X
3	3	2	-1

GDP:	$466
EXPORTS:	$288
IMPORTS:	$262
FDI 2011:	$16

Highly dependent on, and influenced by, its cross-strait partner China, the country has been hit by sluggish export demand. Telecom products and electronics remain areas of strength.