2014 Global Logistics Guide

When the Internet exploded on the scene in the late 1990s it forever altered global trade. The world as we knew it suddenly grew smaller as communication and commerce started to happen in near real time. As new markets opened up technologically, politically, and socially, supply chains followed.

As revolutionary as the World Wide Web was, it's still transformative. As one example, the emergence of e-commerce created a virtual storefront that empowers companies to sell into new markets around the globe with little capital investment. The sourcing to selling paradigm shift is emblematic of how global commerce continues to adapt and evolve.

Now more than ever, governments recognize the importance of investing in infrastructure and tailoring policies to compete for business.

While e-commerce is the leading edge, countries invariably are at different stages of economic progression and transition. Some that have established strong manufacturing pedigrees are looking to stimulate domestic industrial growth and consumption to offset dependence on export trade. Other resource-rich nations that have long relied on foreign direct investment and incursion to fast track infrastructure development are now looking to turn the table and exploit these opportunities themselves. For all, transportation and logistics excellence is the gateway to sustained economic growth.

To help you make sense of these changing global dynamics, and map out locations for further exploration, *Inbound Logistics'* 10th annual Global Logistics Guide presents an updated transportation and logistics world atlas chock-full of need-to-know information.

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

1. Transportation Infrastructure—The density and breadth of airport, seaport, 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.

There are intangibles at play as well. Our X-Factor provision considers other factors 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

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: 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; 2014 Index of Economic Freedom, The Heritage Foundation.

The Americas

Much of the buzz around the NAFTA region revolves around the promise of natural gas and industrial reshoring. Mexico's economic reforms took hold, and provide further incentive for U.S. and foreign-owned companies to locate manufacturing across the border. As middle-class consumption continues to grow, more product is coming in to feed demand, balancing trade. Further afield, the Panama Canal expansion is empowering countries such as Panama and Jamaica to look at how they can reinvent themselves as regional distribution hubs.

South America's fortunes are following a similar curve. While Brazil remains the continent's economic power, Chile, Peru, and Colombia are burning brighter stars. Colombia reinvented itself after once being the center of attention for all the wrong reasons. Today, it is the model for how an unstable and violent socio-political climate can transform into a foreign investment magnet.

South America benefited from foreign investment and interest in its natural resources. China, among others, is a notable suitor. Infrastructure development progressed, albeit slowly. Transportation connectivity within the continent remains nebulous. Countries are currently looking inward at how they can drive domestic growth and consumption to help balance strong commodity trades.

Canada

SCORE **8**

GDP:	$1,825
EXPORTS:	$459
IMPORTS:	$471
FDI 2012:	$352

T	I	B	X
2	3	3	0

Its economy continues to chug along at a slower pace than the United States, as business growth lags. Prime Minister Stephen Harper wants to grow trade ties with NAFTA partner Mexico, and especially play in its emerging energy market.

Mexico

SCORE **7**

GDP:	$1,327
EXPORTS:	$371
IMPORTS:	$371
FDI 2012:	$101

T	I	B	X
2	1	3	1

X-FACTOR President Enrique Peña Nieto's economic reforms are taking hold, and the country has rebounded positively from the global recession. Development of the country's energy sector will drive even more nearshoring activity.

Panama

SCORE **6**

GDP:	$41
EXPORTS:	$19
IMPORTS:	$27
FDI 2012:	$5

T	I	B	X
3	1	2	0

Construction delays notwithstanding, the Canal expansion tips the country as a new distribution hub for the Americas region.

Colombia

SCORE **6**

GDP:	$369
EXPORTS:	$59
IMPORTS:	$54
FDI 2012:	$8

T	I	B	X
2	1	2	1

X-FACTOR Its transformation remains one of South America's bright stories. With strong mining industries, the country has benefited from Chinese FDI to help spur infrastructure development.

Chile

SCORE **4**

GDP:	$282
EXPORTS:	$78
IMPORTS:	$76
FDI 2012:	$40

T	I	B	X
1	2	2	-1

X-FACTOR While the country ranks high in IT readiness, recurring labor strife at its ports is having a marked impact on domestic industries such as copper mining.

Brazil

SCORE **5**

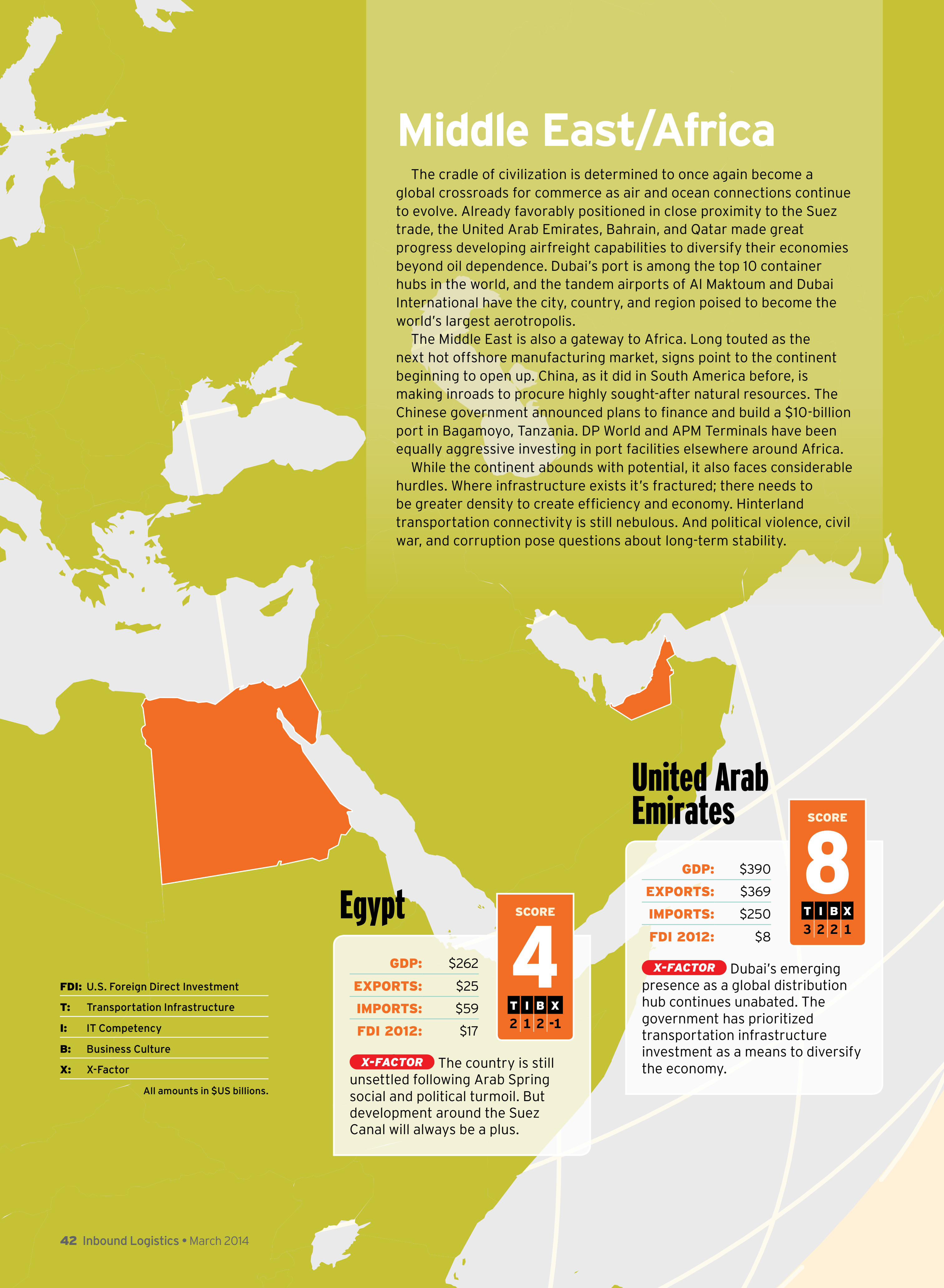
GDP:	$2,190
EXPORTS:	$245
IMPORTS:	$241
FDI 2012:	$79

T	I	B	X
2	1	2	0

Transportation infrastructure remains the country's greatest bugaboo, increasing total logistics costs for companies trying to move product in, out, and through the country.

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

All amounts in $US billions.



Middle East/Africa

The cradle of civilization is determined to once again become a global crossroads for commerce as air and ocean connections continue to evolve. Already favorably positioned in close proximity to the Suez trade, the United Arab Emirates, Bahrain, and Qatar made great progress developing airfreight capabilities to diversify their economies beyond oil dependence. Dubai's port is among the top 10 container hubs in the world, and the tandem airports of Al Maktoum and Dubai International have the city, country, and region poised to become the world's largest aerotropolis.

The Middle East is also a gateway to Africa. Long touted as the next hot offshore manufacturing market, signs point to the continent beginning to open up. China, as it did in South America before, is making inroads to procure highly sought-after natural resources. The Chinese government announced plans to finance and build a $10-billion port in Bagamoyo, Tanzania. DP World and APM Terminals have been equally aggressive investing in port facilities elsewhere around Africa.

While the continent abounds with potential, it also faces considerable hurdles. Where infrastructure exists it's fractured; there needs to be greater density to create efficiency and economy. Hinterland transportation connectivity is still nebulous. And political violence, civil war, and corruption pose questions about long-term stability.

United Arab Emirates

GDP:	$390
EXPORTS:	$369
IMPORTS:	$250
FDI 2012:	$8

SCORE 8

T	I	B	X
3	2	2	1

X-FACTOR Dubai's emerging presence as a global distribution hub continues unabated. The government has prioritized transportation infrastructure investment as a means to diversify the economy.

Egypt

GDP:	$262
EXPORTS:	$25
IMPORTS:	$59
FDI 2012:	$17

SCORE 4

T	I	B	X
2	1	2	-1

X-FACTOR The country is still unsettled following Arab Spring social and political turmoil. But development around the Suez Canal will always be a plus.

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B: Business Culture
X: X-Factor

All amounts in $US billions.

Belgium

SCORE **8**

T	I	B	X
4	2	2	0

GDP:	$507
EXPORTS:	$295
IMPORTS:	$310
FDI 2012:	$54

As a regional and global distribution hub, Belgium's transportation infrastructure is among Europe's best. Port of Antwerp is the continent's foremost petrochemical cluster and Zeebrugge is a favored RoRo, container, and value-added logistics port

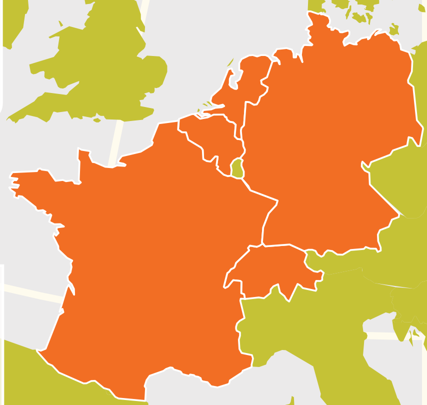
Netherlands

SCORE **9**

T	I	B	X
4	3	2	0

GDP:	$801
EXPORTS:	$551
IMPORTS:	$478
FDI 2012:	$645

Favorable corporate tax rates, solid transportation capabilities, and political stability make the country the hands-down leader in U.S. FDI.



Germany

SCORE **9**

T	I	B	X
4	3	2	0

GDP:	$3,593
EXPORTS:	$1,493
IMPORTS:	$1,233
FDI 2012:	$121

Contrary to France, labor reform policies helped Germany dodge the worst of the Eurozone crisis. Export dependency still makes it vulnerable to global shifts in demand.

France

SCORE **6**

T	I	B	X
3	2	1	0

GDP:	$2,739
EXPORTS:	$570
IMPORTS:	$640
FDI 2012:	$83

The country's problems continue to center around a ballooning public sector, lack of labor control, and high taxes—everything anathema to foreign investment.

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X:	X-Factor

All amounts in $US billions.

Switzerland

SCORE **8**

T	I	B	X
2	3	3	0

GDP:	$646
EXPORTS:	$312
IMPORTS:	$276
FDI 2012:	$130

By nature of its central location, political autonomy, and progressive socio-economic policies, the country is very much an island in the EU. High Swiss franc valuation presents problems for exporters trying to compete.

Europe

The continent is slowly emerging from a debt crisis that has separated the "haves" from the "have nots." Social democracies and their welfare nets are being challenged. EU unemployment currently hovers at 12 percent and is expected to remain high. On the continent's periphery—Greece, Italy, and Spain—aggressive austerity measures are stoking even more backlash among the workforce. Restrictive labor laws and high costs remain outstanding concerns.

There are bright spots: The Netherlands, Belgium, Germany, and Switzerland. All have strengths in transportation and logistics and are crossroads for trade. Russia's growing middle class and consumption market is likely to drive more development eastward.

Increasingly, Europe is looking to the North American re-shoring model as one way to bring back domestic production. And the EU has even gone so far as to check some of its clean energy mandates to open up the potential for natural gas production and cheaper energy.

These challenges aside, Europe also faces stiff competition from Turkey and Arabian Peninsula countries where investment is rampant and market constraints are fewer. As one example, night flight restrictions in European cities such as Brussels and Frankfurt have paved the way for Middle East countries to become bigger players in the airfreight sector.

Russia

GDP:	$2,113
EXPORTS:	$515
IMPORTS:	$341
FDI 2012:	$14

SCORE 5

T	I	B	X
2	1	1	1

X-FACTOR Geopolitical tensions aside, the country's prospects are bullish. Its middle class–55 percent of total population–is higher than any of its BRIC peers. This will continue to drive consumer growth.

Turkey

GDP:	$822
EXPORTS:	$168
IMPORTS:	$243
FDI 2012:	$6

SCORE 5

T	I	B	X
2	1	1	1

X-FACTOR At the crossroads between Europe, Asia, and the Middle East, it's primed to become a major hub for multinationals, and a distribution pivot for the energy sector.

Southeast Asia & India

As Chinese labor costs continue to rise, manufacturing is migrating to countries such as Vietnam, Thailand, and Indonesia. Intra-Asian trade continues to grow. At the same time, Southeast Asian countries dependent on China and Japan also run the risk of being exposed when demand falls off. Outside of well-developed air and ocean transport hubs such as Bangkok, Port Kelang, Kuala Lumpur, and Manila, road infrastructure is still developing and logistics costs tend to run high. Political upheaval in Thailand and elsewhere is also cause for concern.

India's economy has yet to reach the potential that many had predicted one decade ago. Protectionist trade and investment policies have curbed development. Only recently has the government started easing restrictions to help pump more foreign capital and expertise into domestic industries. Job growth has been tepid at best, which is sobering news for the country's young workforce—half of the country's 1.2 billion population is younger than 25.

Even Singapore—which has long been the focus of regional trade with a port and airport among the tops in the world in terms of freight tonnage and container volume—is facing questions about the sustainability of its real estate- and credit-driven economy. Some speculate that the country is at risk of a bubble burst the likes of Finland in 2008.

India

GDP:	$1,758
EXPORTS:	$318
IMPORTS:	$515
FDI 2012:	$28

SCORE 5

T	I	B	X
2	1	2	0

Transportation infrastructure, social inequality, and market reform plague the country's growth. Efforts to relax foreign investment restrictions have helped pave the way for more development.

Singapore

GDP:	$287
EXPORTS:	$443
IMPORTS:	$380
FDI 2012:	$139

SCORE 9

T	I	B	X
4	3	3	-1

X-FACTOR The city-state remains one of Asia's foremost distribution hubs. Its port is second only to Shanghai in terms of container volume, and Changi Airport is among the world's top 10 in cargo volume. There are concerns that the country's finance- and real estate-driven economy could be prone to a bubble burst.

Thailand

GDP:	$401
EXPORTS:	$229
IMPORTS:	$223
FDI 2012:	$17

SCORE 3

T	I	B	X
2	1	1	-1

X-FACTOR Anti-government protests and political instability are compromising middle-class growth and domestic consumption.

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Asia

As China follows its own self-imposed economic reforms, Asia continues to mature and develop. Years of focusing on export and credit growth forced the government to direct more investment inward and drive domestic consumption. Rising incomes and a growing middle class created a real estate boom, which runs the risk of a sharp drop-off. At the same time, foreign businesses are reshoring some of the production that historically went to China. With greater prosperity, the country is looking to develop higher-end manufacturing capabilities with a focus on quality and innovation.

China's roadmap invariably shapes much of what is going on in Asia. Taiwan's success falls in line with its cross-straits partner. Japan's account deficit continues to widen, which is cause for concern. Exports are still sluggish, and anticipation of an uptick in consumer spending before a new sales tax enters into force later in 2014 never materialized.

Korea's fortunes appear more positive. President Park Geun Hye plans to reduce taxes in various industries, and stimulate innovation and small business growth. The goal is to drive more domestic activity, and insulate the country from relying too much on exports—a concern that is rampant throughout the region.

Japan

SCORE **7**

T	I	B	X
4	2	2	-1

GDP:	$5,007
EXPORTS:	$697
IMPORTS:	$767
FDI 2012:	$134

X-FACTOR The country's economy grew less than expected in 2013 as its current account deficit continues to balloon. A looming sales tax increase is expected to further curb consumer spending.

South Korea

SCORE **7**

T	I	B	X
2	3	2	0

GDP:	$1,198
EXPORTS:	$557
IMPORTS:	$517
FDI 2012:	$35

Strong domestic demand is helping the country's economy recover from the global downturn. Government has pledged to roll back regulations in certain sectors to help stimulate competition, boost the services sector, and offset export dependency.

China

SCORE **6**

T	I	B	X
3	1	2	0

GDP:	$8,939
EXPORTS:	$2,210
IMPORTS:	$1,772
FDI 2012:	$99

Economic reforms are shaping a new future driven by domestic growth. But exports have taken a huge dive over the past year, and continuing devaluation of the Yuan limits Chinese purchasing power.

Taiwan

SCORE **7**

T	I	B	X
3	3	1	0

GDP:	$485
EXPORTS:	$306
IMPORTS:	$269
FDI 2012:	$17

As China's fortunes change, so does Taiwan. Cross-strait politics and economics remain firmly entwined. The country's high-tech industries, however, are gradually looking beyond China to cheaper offshore manufacturing options.

Indonesia

SCORE **5**

T	I	B	X
2	1	1	1

GDP:	$868
EXPORTS:	$179
IMPORTS:	$179
FDI 2012:	$14

X-FACTOR The government is using the struggles of its neighbors as incentive to attract more business. An abundant workforce, cheap labor, and strong domestic consumption are all positives.

Malaysia

SCORE **6**

T	I	B	X
3	2	1	0

GDP:	$312
EXPORTS:	$231
IMPORTS:	$193
FDI 2012:	$15

Inflation continues to rise and the government is being forced to curb public spending.