2012 Global Logistics Guide

The "currency events" of the past year expose how interconnected the global supply chain has become. While North America has been beset by various stages of economic recession during the past three years, the more recent debt crisis in Europe threatens to shake the resilience of Asian markets — which in the past have weathered economic storms favorably. When one domino falls, its quake has far-reaching effects.

As a backdrop to this financial drama, social upheaval and political instability in the Middle East and North Africa, recurring natural disasters, terrorism and piracy, and the approaching completion of the Panama Canal's expansion project twist U.S. supply chains in countless directions. Companies are forced to confront latent risks and opportunities as they scope out sourcing, manufacturing, distribution, administrative, and selling locations. Secondary and tertiary sourcing strategies, nearshoring, and business expansion – especially with total logistics costs and demand responsiveness in mind – are bringing peripheral targets into focus and casting rutted routes in new light.

Inbound Logistics' eighth-annual Global Logistics Guide presents a transportation and logistics world atlas to help you map and ordinate locations for further exploration.

IL identifies global hotspots as excelling in three key 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.

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 greater 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 suggestions 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: 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; Central Intelligence Agency's World Fact Book; Bureau of Economic Analysis, U.S. Direct Investment Abroad; 2012 Index of Economic Freedom, The Wall Street Journal & The Heritage Foundation.

The Americas

Canada is the primary export destination for U.S. goods. The country's abundance of natural resources is a growing target for Asia, creating more balance between inbound and outbound flows.

Central and South America are manufacturing and sourcing focal points for U.S. companies as transport costs and risk aversion favor nearshoring strategies. South America, and Brazil specifically, is primed to become the next logistics hotspot by virtue of its raw materials, labor, and proximity to the U.S. market. But inland infrastructure limitations and political apathy are barriers to entry. Progressive economies such as Chile, Peru, and Colombia provide a foil for Venezuela, Bolivia, and Ecuador, where anti-capitalist governments thaw interest and investment.

Canada

SCORE **9**

GDP:	$1,759
EXPORTS:	$451
IMPORTS:	$460
FDI 2010:	$297

T	I	B	X
3	3	3	0

An abundance of natural resources, and growing export demand from Asia, have kept the economy relatively stable.

Colombia

SCORE **5**

GDP:	$322
EXPORTS:	$55
IMPORTS:	$50
FDI 2010:	$7

T	I	B	X
2	1	1	1

X-FACTOR Chinese sourcing interests and a free trade agreement with the United States are cause for international intrigue. Bogota is also a new entrant among the world's Top 50 cargo airports.

Mexico

SCORE **6**

GDP:	$1,185
EXPORTS:	$336
IMPORTS:	$342
FDI 2010:	$90

T	I	B	X
1	1	2	2

X-FACTOR Location. Location. Location. With total landed logistics costs at a premium, U.S. companies continue to favor the country's proximity to U.S. markets—in spite of rampant drug violence and limited technology infrastructure.

FDI: U.S. Foreign Direct Investment, 2010
T: Transportation Infrastructure
I: IT Competency
B: Business Culture
X: X-Factor

All amounts in $US billions.

Chile

SCORE **5**

GDP:	$243
EXPORTS:	$86
IMPORTS:	$72
FDI 2010:	$26

T	I	B	X
1	2	2	0

Chile is the continental leader in technology infrastructure, ranking 39th globally in network readiness and second among middle-income economies, according to the World Economic Forum.

Brazil

SCORE **5**

GDP:	$2,518
EXPORTS:	$251
IMPORTS:	$220
FDI 2010:	$66

T	I	B	X
2	1	1	1

X-FACTOR Despite political bureaucracy and nebulous inland transportation networks, Brazil teems with potential. As host to the 2014 World Cup and 2016 Summer Olympics, infrastructure development will be a matter of necessity rather than choice.


If you want to keep up, you better take giant steps.
Through these uncertain times, we're staying focused on billions of dollars in smart upgrades. Why? Like the ocean carriers ordering bigger ships and shippers building giant distribution centers, we know that tomorrow's success depends on big investments today. We're not just ahead of other ports, we're staying an enormous leap ahead.
©2011 Port of Long Beach
The future is BIG.
www.polb.com/trade
Port of
LONG BEACH
The Green Port

Europe

The financial crisis has had a marked impact on the region's prospects as bailouts, currency speculation, and ongoing economic integration present their share of obstacles. While the European Union has created a platform for countries to collaborate, compete, and trade on, it has also created considerable imbalances between member states. Perennial logistics hotspots such as Germany and France expect marginal GDP growth in 2012.

The financial failures of Greece, Portugal, and Ireland cast a pall across the continent. Political and economic stability are now at a premium for foreign investors. Countries such as Switzerland and the Netherlands have benefited the most. Apart from the United Kingdom, both countries rank among the highest destinations for U.S. FDI and have become popular locations for American companies locating financial services, research and development, information technology, and administrative operations.

On the transportation side, Europe is still struggling to fully integrate rail freight into the supply chain. Recent moves by European carriers to harmonize standards across countries mirror similar efforts to create intermodal landbridges linking Europe and Asia, as well as the Mediterranean.

Belgium

SCORE **8**

GDP:	$529
EXPORTS:	$332
IMPORTS:	$332
FDI 2010:	$74

T	I	B	X
4	2	2	0

The country's transport infrastructure ranks among the best and most diversified in Europe with two ports and two airports among the world's Top 50 in cargo throughput.

Netherlands

SCORE **10**

GDP:	$858
EXPORTS:	$577
IMPORTS:	$514
FDI 2010:	$521

T	I	B	X
4	3	3	0

In the midst of the Eurozone debt crisis, the Netherlands set a record for foreign direct investment. Many U.S. companies have made the country their primary European distribution hub.

Switzerland

SCORE **8**

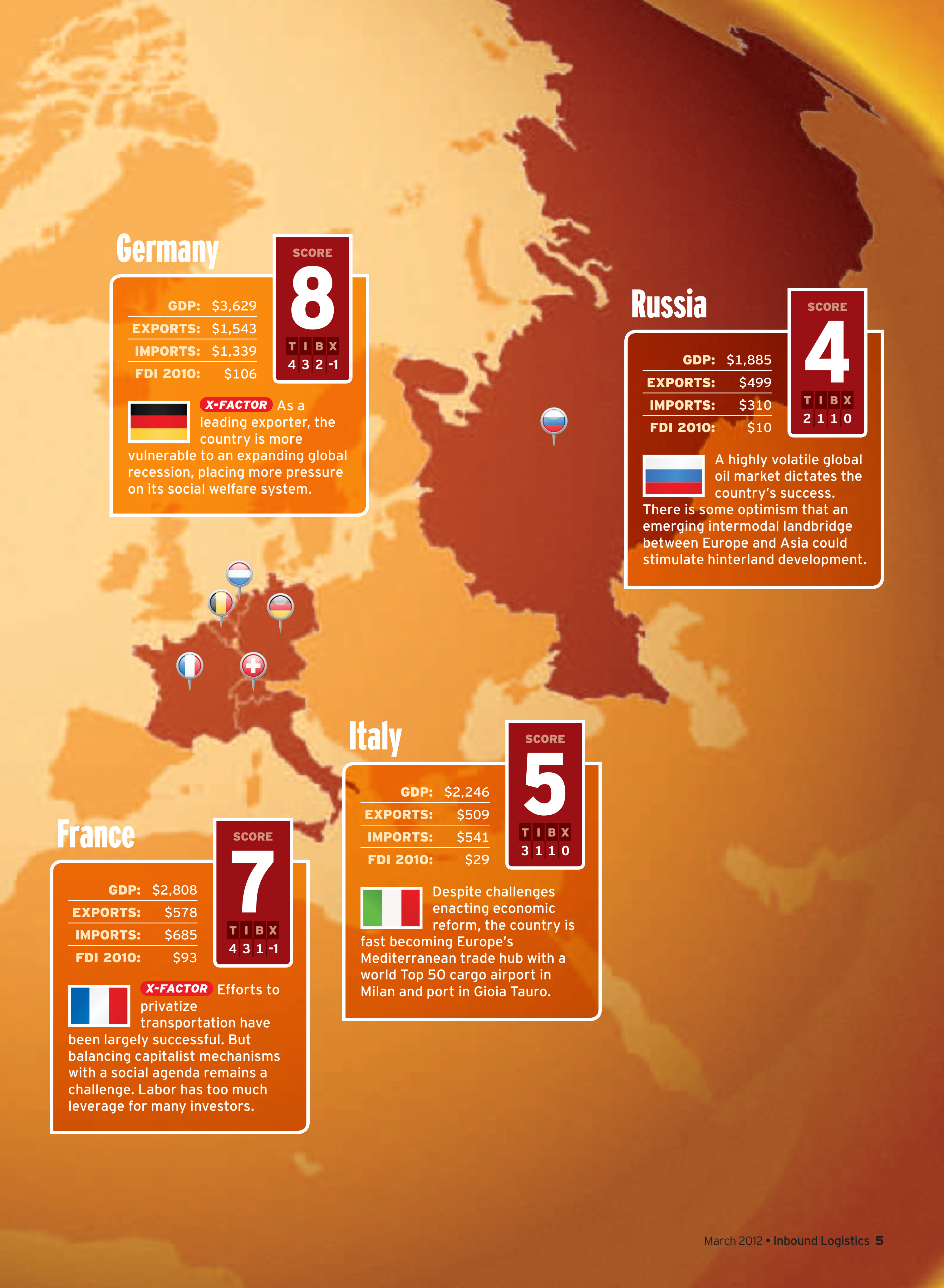
GDP:	$666
EXPORTS:	$308
IMPORTS:	$300
FDI 2010:	$144

T	I	B	X
1	3	3	1

X-FACTOR The island of stability is easily one of Europe's bright spots. A proactive business climate combines with cultural and geographic centrism to make the country a top target for U.S. investment.

FDI: U.S. Foreign Direct Investment, 2010
T: Transportation Infrastructure
I: IT Competency
B: Business Culture
X: X-Factor

All amounts in $US billions.



Germany

SCORE **8**

T	I	B	X
4	3	2	-1

GDP:	$3,629
EXPORTS:	$1,543
IMPORTS:	$1,339
FDI 2010:	$106

X-FACTOR As a leading exporter, the country is more vulnerable to an expanding global recession, placing more pressure on its social welfare system.

Russia

SCORE **4**

T	I	B	X
2	1	1	0

GDP:	$1,885
EXPORTS:	$499
IMPORTS:	$310
FDI 2010:	$10

A highly volatile global oil market dictates the country's success. There is some optimism that an emerging intermodal landbridge between Europe and Asia could stimulate hinterland development.

Italy

SCORE **5**

T	I	B	X
3	1	1	0

GDP:	$2,246
EXPORTS:	$509
IMPORTS:	$541
FDI 2010:	$29

Despite challenges enacting economic reform, the country is fast becoming Europe's Mediterranean trade hub with a world Top 50 cargo airport in Milan and port in Gioia Tauro.

France

SCORE **7**

T	I	B	X
4	3	1	-1

GDP:	$2,808
EXPORTS:	$578
IMPORTS:	$685
FDI 2010:	$93

X-FACTOR Efforts to privatize transportation have been largely successful. But balancing capitalist mechanisms with a social agenda remains a challenge. Labor has too much leverage for many investors.

Middle East/Africa

The Arabian Peninsula has been party to considerable development and growth in the past decade, with the United Arab Emirates, Qatar, Oman, Kuwait, Bahrain, and Saudi Arabia benefiting from more liberal economies. But the absence of major domestic export industries created a risky imbalance that threatens future growth. And the U.S. military's drawdown in Iraq and Afghanistan will similarly impact freight volumes and revenue moving through the region.

The 2011 Arab Spring uprisings in North Africa and the Middle East cast the region in a new light as social and political reform continue to shape economic transformation. Despite current volatility, Europe recently reached out to Egypt, Tunisia, Morocco, and Jordan in an effort to grow trade alliances and likely inroads into a new continent—Africa.

The last frontier for economic development remains mired in political instability, war, and poverty. Africa's wealth of natural resources has lured China to prospect new sourcing locations, which will only stimulate further interest from around the world. African nations now confront the task of working together to coordinate transportation networks so they can begin to compete as a continent.

FDI: U.S. Foreign Direct Investment, 2010

T: Transportation Infrastructure

I: IT Competency

B: Business Culture

X: X-Factor

All amounts in $US billions.

United Arab Emirates

SCORE **6**

T	I	B	X
3	2	1	0

GDP:	$358
EXPORTS:	$265
IMPORTS:	$186
FDI 2010:	$4

The Emirates is the Middle East's shining star in terms of transport, with two ports and an airport among the world's Top 50. Questions remain how the economy will fare in the long term given its lack of diversified industries.

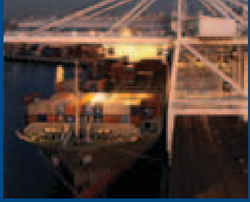
Egypt

SCORE **3**

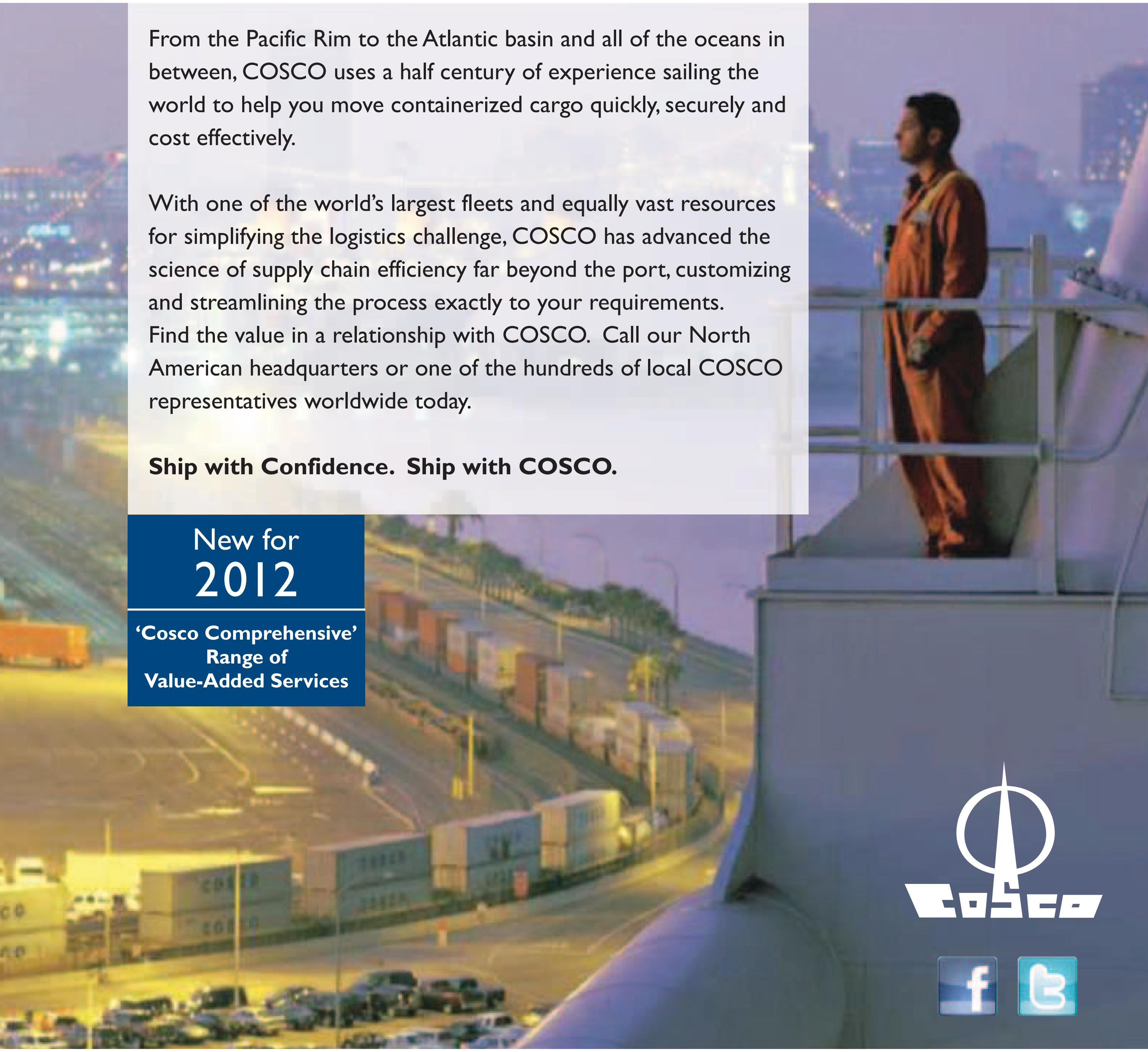
T	I	B	X
2	1	1	-1

GDP:	$232
EXPORTS:	$28
IMPORTS:	$57.00
FDI 2010:	$12

X-FACTOR Despite recent development around the Suez–a critical valve in the Eurasian trade–recent political upheaval has only exposed the country's social inequalities.



A Unique Perspective



From the Pacific Rim to the Atlantic basin and all of the oceans in between, COSCO uses a half century of experience sailing the world to help you move containerized cargo quickly, securely and cost effectively.

With one of the world's largest fleets and equally vast resources for simplifying the logistics challenge, COSCO has advanced the science of supply chain efficiency far beyond the port, customizing and streamlining the process exactly to your requirements. Find the value in a relationship with COSCO. Call our North American headquarters or one of the hundreds of local COSCO representatives worldwide today.

Ship with Confidence. Ship with COSCO.

New for
2012

'Cosco Comprehensive' Range of Value-Added Services

COSCO Container Lines Americas, Inc. • 100 Lighting Way • Secaucus, NJ 07094

www.cosco-usa.com

800 242 7354

Asia

China's role in shaping the Asian market continues to evolve. A new regime in North Korea is looking to its northern neighbor as an example of "Communist capitalism." Japan, facing uncertainties in the aftermath of the 2011 earthquake and tsunami, called for greater communication and integration with China to expand trade interests. South Korea, meanwhile, sees its recent free trade agreement with the United States as a means to draw more investment from both Japan and China as it stimulates business and job growth.

While China remains a top target for offshore manufacturing, it is adapting to global shifts in demand. Declining exports to North America and Europe stirred domestic consumption, more aggressive infrastructure projects, and further development of domestic industries such as aerospace. These progressions paved the way for the U.S. and other foreign companies to make tentative overtures selling products and services into an otherwise isolationist market. As China's manufacturing costs increase and production moves farther inland—thereby raising transportation spend—Southeast Asia is becoming an alternative location for cheaper labor.

China

SCORE **7**

T	I	B	X
3	2	2	0

GDP:	$6,989
EXPORTS:	$1,897
IMPORTS:	$1,664
FDI 2010:	$115

The government continues to pull strings as dropping export demand is channeled into domestic development and growth. The country continues an aggressive path building its own industries.

Thailand

SCORE **5**

T	I	B	X
3	1	1	0

GDP:	$339
EXPORTS:	$244
IMPORTS:	$215
FDI 2010:	$13

Severe flooding capped growth in 2011, and had a great impact on high-tech manufacturers sourcing components. But the country is expected to fully rebound with the help of a Top 50 airport and port.

India

SCORE **6**

T	I	B	X
2	1	2	1

GDP:	$1,843
EXPORTS:	$298
IMPORTS:	$451
FDI 2010:	$27

X-FACTOR The country is counting on more liberal FDI rules to help grow logistics expertise and spur market growth. On the transportation side, railroad development between ports and hinterland industrial pockets is critical.

Malaysia

SCORE **6**

T	I	B	X
3	2	1	0

GDP:	$248
EXPORTS:	$213
IMPORTS:	$168
FDI 2010:	$16

Outside of Singapore, Malaysia commands the most U.S. FDI in the region. But the country's reliance on commodity exports makes it highly vulnerable to global price fluctuations.

Singapore

SCORE **9**

T	I	B	X
4	3	3	-1

GDP:	$267
EXPORTS:	$432
IMPORTS:	$387
FDI 2010:	$106

X-FACTOR Heavily reliant on global trade flows, and home to the top container port in the world, it has felt the full impact of the global recession. Political stability has kept FDI fluid.

Vietnam

SCORE **4**

T	I	B	X
2	1	1	0

GDP:	$122
EXPORTS:	$97
IMPORTS:	$104
FDI 2010:	0.623

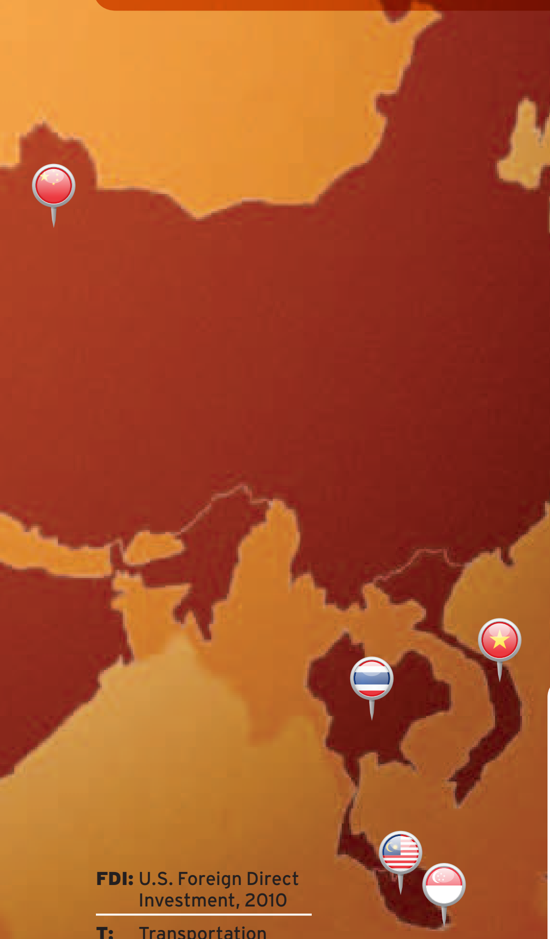
China's inflationary trajectory has created a void for new low-cost labor countries in Southeast Asia, and Vietnam is capitalizing. Ho Chi Minh is a new entrant among the world's Top 50 cargo ports.

Southeast Asia

India's recent decision to ease FDI rules is expected to unleash a flood of pent-up demand from foreign companies seeking an inside track into one of the world's largest consuming populations. The government's strategy is aimed at triggering more domestic competition while raising the standard of transportation and logistics performance. India's transportation capabilities, especially from coastal ports to inland manufacturing and consumer pockets, are still largely antiquated.

Elsewhere, Southeast Asian countries find themselves in a purple patch courting foreign demand for low-cost manufacturing. Chinese inflation has only raised the profile of countries such as Thailand, Malaysia, Vietnam, and the Philippines. While recent tsunamis and floods have devastated supply chains concentrated there, ports and airports are well-developed, even if inland transportation remains lacking.

On the downside, as the European debt crisis continues to unfold, less-developed markets reliant on exports will feel the pinch.



South Korea

SCORE **8**

GDP:	$1,164
EXPORTS:	$559
IMPORTS:	$525
FDI 2010:	$30

T	I	B	X
3	3	1	1

X-FACTOR The free trade agreement with the United States will likely have a positive effect on FDI growth in South Korea – which at $30 billion, lags behind Japan, Hong Kong, China, and Singapore.

Japan

SCORE **7**

GDP:	$5,855
EXPORTS:	$801
IMPORTS:	$795
FDI 2010:	$113

T	I	B	X
4	3	2	-2

X-FACTOR New construction and companies making up for lost manufacturing output are helping to stimulate the economy in the near term. Growth is driven by domestic demand, which begs to question long-term stability.

Philippines

SCORE **5**

GDP:	$216
EXPORTS:	$54
IMPORTS:	$69
FDI 2010:	$6

T	I	B	X
3	1	1	0

An emerging offshore logistics hotspot with a Top 50 cargo port and airport in Manila, the Philippines has thus far weathered the global recession favorably.

Taiwan

SCORE **8**

GDP:	$505
EXPORTS:	$325
IMPORTS:	$299
FDI 2010:	$21

T	I	B	X
3	3	2	0

Taiwan's high-tech manufacturing niche is expected to keep the economy on solid footing. China's overtures and the country's muddled political status are backdrop concerns.

FDI: U.S. Foreign Direct Investment, 2010
T: Transportation Infrastructure
I: IT Competency
B: Business Culture
X: X-Factor

All amounts in $US billions.