2009

Global Logistics Guide

The past year has cast the global economy in varying degrees of red as businesses the world over struggle with a financial credit crisis that continues to pinch consumers and punch manufacturers and retailers into a sobering new reality.

The sting is omnipresent. Traditionally strong economies are showing signs of duress and underperforming countries are reeling. Those with robust domestic manufacturing and export industries are struggling to diversify as offshore revenue streams evaporate. Others reliant on import trade, domestic consumption, and foreign direct investment are competing with an expanding group of like-minded suitors.

Transportation and logistics excellence is a building block for economic growth. Countries that invest in and develop modal and IT connectivity, flaunt pro-business policies and leadership, and nurture and support supply chain and logistics talent and labor invite opportunities for foreign businesses to invest in–and wield their–spades.

Inbound Logistics' 5th Annual Global Logistics Guide presents a navigational beacon as you scope out and steer your company's global reckoning through an uncertain economic abyss.

IL identifies global logistics 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 (NRI).

3. People power. The strength and expertise of homegrown logistics talent, cultural and language similarities,and government leadership.

Businesses may also consider a country's logistics merit by the amount of foreign direct investment (FDI) the United States is pumping into its economy. Though FDI alone does not translate to economic development promise, countries with good transportation infrastructure, IT capabilities, logistics talent, government leadership, and favorable business policies invariably capture a bigger piece of the American pie.

There are intangibles at play as well. Our X-Factor provision accounts for factors such as political stability, labor flexibility, and foreign investment policy that color a country's logistics capabilities–good and bad.

Our Global Logistics Guide offers a macro perspective of the global supply chain to help you quantify and qualify expansion opportunities with countries that best fit your 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 people power (1 to 3 points). Points are totaled for all categories–taking into consideration X-Factor +/- points–to determine the 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

The Americas

Canada's sophisticated transportation infrastructure mirrors that of the United States. Its ports in Vancouver and Prince Rupert on the West Coast and Montreal, Halifax, and the proposed development at Canso in the East are growing in importance as U.S. port complexes labor over lingering capacity and congestion issues. Beyond the country's dependence on U.S. trade, a prime concern remains securing and streamlining cross-border transits to ensure timely, efficient freight flow. South of the border, Mexico's government is making strides to allocate and invest capital in transportation infrastructure, but standards and performance are still lacking. The contrast between northern development and the south's relative weaknesses remains evident, as do security and safety deficiencies. The penetration of U.S. transportation and service providers has made the going easier for speculative businesses looking to capitalize on cheaper labor or use the country's West Coast ports as a back-door entry into domestic markets. Further afield in South America, transportation infrastructure, IT connectivity, logistics talent, and resources are generally lacking. Still, as businesses reconsider global supply networks, South America's proximity to the United States and emerging low-cost manufacturing clusters invite new options for offshoring.

GDP: Gross Domestic Product
EXP: Exports
IMP: Imports
FDI: U.S. Foreign Direct Investment, 2007
T: Transportation infrastructure
I: IT competency
P: People power

All amounts in $US billions.

Brazil

While Brazil's economy is the largest in South America and it has become a target for low-cost outsourcing, foreign investment is labored by infrastructure gaps linking inland manufacturing pockets and more developed coastal areas.

		TOTAL		
T	2	4	GDP:	$1,700
I	1		EXP:	$200
P	1		IMP:	$176
X	0		FDI:	$42

Canada

Canada's success follows the United States, good and bad. But U.S. excess, in terms of West Coast-bound container volumes, is a major boon for ports such as Prince Rupert, Montreal, and Halifax.

		TOTAL		
T	2	8	GDP:	$1,600
I	3		EXP:	$462
P	3		IMP:	$437
X	0		FDI:	$257

Chile

What Chile lacks in transportation connectivity, it makes up for in IT preparedness, ranking among the best in South America. It also tops the continent in the World Economic Forum's Global Competitive Index.

		TOTAL		
T	1	4	GDP:	$182
I	2		EXP:	$69
P	1		IMP:	$59
X	0		FDI:	$13

Mexico

X-FACTOR Location, location, location. Mexico's potential is bounded by government and private sector efforts to continue developing transportation infrastructure and capitalize on NAFTA trade.

		TOTAL		
T	2	6	GDP:	$1,100
I	1		EXP:	$294
P	2		IMP:	$306
X	1		FDI:	$92

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Europe

Europe lays claim to some of the busiest cargo hubs in the world and possesses a developed and dense transportation network. Compared to other global regions, the continent is far more diversified in mode utilization, combining rail, road, and inland barge transports to move goods to and from congestion-choked ports and urban areas. As pressures to reduce transportation costs and increase efficiencies become manifest in a down economy, this intermodal pedigree will be invaluable. Countries such as France, under President Sarkozy's leadership, have made great progress privatizing the transportation sector and creating a more competitive market for shippers – which has only enhanced efficiency, economy, and service. Europe's one nagging concern remains transportation standardization among European Union countries, and new entrants, in terms of equipment, tariffs, and other regulatory oversight. Labor inflexibility and cost is an ongoing concern for countries such as France and Germany, which have seen manufacturing activity shift eastward to cheaper locations. The rising promise of low-cost sourcing and manufacturing in Eastern Europe, as well as overland transportation connections linking the Far East to Europe, have created a vacuum for logistics and distribution capabilities in Central and Southern Europe. Italy and Switzerland, for example, are positioned to become important release valves for some of this emerging volume as well as distribution hubs for Asian-origin traffic.

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Belgium

For its size, Belgium packs a punch, with two ports–Antwerp and Zeebrugge–and two airports–Brussels and Liege–among Europe's leading cargo hubs.

T	4	TOTAL 8	GDP:	$495
I	2		EXP:	$373
P	2		IMP:	$375
X	0		FDI:	$55

France

President Sarkozy's recognition of necessary transportation infrastructure investments, continuing freight sector privatization, and France's centralized distribution location are helping the country overcome long-standing labor obstacles.

T	3	TOTAL 8	GDP:	$3,000
I	2		EXP:	$761
P	3		IMP:	$833
X	0		FDI:	$69

Germany

Solid transportation infrastructure, a strong domestic market, and a pedigree for manufacturing and logistics are shaded by high labor costs pushing production eastward.

T	4	TOTAL	GDP:	$3,800
I	3	8	EXP:	$1,500
P	1		IMP:	$1,200
X	0		FDI:	$107

Italy

X-FACTOR Italy is well positioned to tap cargo volumes moving east-west through the Mediterranean and north-south to and from Eastern Europe. Its fast-growing port complex at Gioia Tauro is a complement to Milan airport.

T	2	TOTAL	GDP:	$2,400
I	1	5	EXP:	$566
P	1		IMP:	$567
X	1		FDI:	$28

Netherlands

There's a reason why the Netherlands captured $370 billion in U.S. direct investment in 2007. Strong multi-modal capabilities, a centralized distribution location, and pro-business culture are investment magnets.

T	4	TOTAL	GDP:	$910
I	3	9	EXP:	$538
P	2		IMP:	$485
X	0		FDI:	$370

Switzerland

Autonomous from the EU, Switzerland does its own thing, and well. A robust economy, strong R&D environment, ample transport connections, and receptive business climate make it one of Europe's favored logistics sites.

T	2	TOTAL	GDP:	$493
I	3	8	EXP:	$173
P	3		IMP:	$213
X	0		FDI:	$128

Central & Eastern Europe, Russia

Russia is arguably the biggest question mark in the world, with boundless potential and perhaps even more obstacles to entry. With a geography touching Eastern Europe and China, and a sizable consuming and working population, the country has the trappings to be a major offshore player for U.S. sourcing and manufacturing interests. To date, however, Russia's dependence on oil revenues has created a largely unstable economic footing. Transportation infrastructure beyond its developed eastern environs is generally poor, and questions of government leadership, public and private sector collusion, and political instability have waylaid foreign investment interests. To some degree, Eastern Europe and Russia's fortunes are inherently tied. Estonia, the foremost economy among former Soviet bloc countries and a European Union member since 2004, has established a thriving free-market economy supported by pro-business policies, an emerging electronics industry, and rapidly maturing IT infrastructure. Centrally positioned in the Baltic region, Estonia is a pivotal distribution link between Russia's potential and Eastern Europe's reckoning.

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Czech Republic

One of the most successful and economically balanced former Soviet strongholds, the Czech Republic is second to Estonia as Eastern Europe's most competitive economy.

T	1	TOTAL 5	GDP:	$217
I	2		EXP:	$146
P	2		IMP:	$141
X	0		FDI:	$4

Estonia

Location and technology maturation make Estonia the region's premier economy. Energy interdependence, a pro-business culture, and strategic proximity to Russia and the Baltic Sea are hallmarks of its potential.

T	1	TOTAL 6	GDP:	$24
I	3		EXP:	$13
P	2		IMP:	$16
X	0		FDI:	$0.03

Russia

X-FACTOR Russia's lack of progress diversifying its economy beyond oil production is also its greatest asset – it can only get better. Coast to coast, it has an ample workforce and strategic connections linking the world.

T	1	TOTAL 4	GDP:	$1,800
I	1		EXP:	$476
P	1		IMP:	$302
X	1		FDI:	$13

Middle East

The Middle East is smack in the center of the hottest trade lane in the world, as Asia-Europe container volumes remain robust. With the Suez Canal attracting greater traffic from shipments originating in Western China and Southeast Asia, the region is becoming an important distribution crossroads. A wealth of natural resources has spilled into government coffers, and consumerism and development are rampant. The proposed cargo airport in Jebel Ali outside of Dubai, United Arab Emirates (UAE), will become the largest in the world when complete, and the growing importance of the Suez Canal trade and investments in proximate port facilities (the Suez Canal Container Terminal at Port Said in Egypt) are attracting interest from global ocean liners and shippers alike. The Middle East is also the hottest airfreight region in the world, as consumer appetites for high-value goods remain strong. Dubai (UAE) and Bahrain are top air cargo hubs in the region, and Emirates, Qatar Airways, Saudi Arabian Airlines, Etihad, and El Al are among the top 50 air cargo carriers in the world. Much of the Middle East's transportation and logistics maturation, and diversification away from the highly commoditized and flux oil trade, has been a result of the Iraq War and investments to improve infrastructure supporting military movements. Whether the region will remain as strong after this impetus lags, and in spite of geo-political volatility in the region, remains uncertain.

Bahrain

Among the Middle East's foremost economies, Bahrain's growing consumer culture and strong financial sector have helped nurture an emerging transportation and logistics presence anchored by its airport.

		TOTAL		
T	2	5	GDP:	$20
I	1		EXP:	$19
P	2		IMP:	$16
X	0		FDI:	$0.06

Egypt

X-FACTOR: Egypt's emerging importance in world trade, and the rising tide of facilities such as Port Said, is directly linked to increased Suez Canal transits.

		TOTAL		
T	2	5	GDP:	$158
I	1		EXP:	$33
P	1		IMP:	$56
X	1		FDI:	$8

United Arab Emirates

X-FACTOR The boom in Asia-Europe traffic and Suez transits makes Dubai the star of Middle Eastern trade. Its port and airport complexes continue to capture a lion's share of trade flows as both a distribution and consuming crossroads.

		TOTAL		
T	3	8	GDP:	$270
I	2		EXP:	$208
P	2		IMP:	$141
X	1		FDI:	$4

Qatar

Qatar tops the Gulf region in global competitiveness, largely due to a developing education system, strong financial sector, and established IT footprint.

		TOTAL		
T	2	6	GDP:	$117
I	2		EXP:	$62
P	2		IMP:	$25
X	0		FDI:	$7

Southeast Asia & India

Southeast Asia is increasingly competitive with China and looks to be its heir apparent, especially as low-cost manufacturing in the latter country pushes further inland and afield. India is a popular manufacturing location, with an abundant workforce, fewer cultural barriers to entry, and an emerging middle class that U.S. companies are eager to sell to. Transportation infrastructure, security, and social welfare issues remain outstanding concerns. Elsewhere, the pearl of Southeast Asia, Singapore, has encountered some peril. The country's over-dependence on global trade and lack of competitive domestic markets are now manifest in a global slowdown. The government is challenged with encouraging more consumption to alleviate these concerns and ensure that its economy isn't entirely reliant on global exports.

India

An abundance of low-cost labor, the emergence of manufacturing clusters, and strong BPO and R&D industries make India a primary offshore target despite recurring infrastructure and security shortfalls.

T	2	TOTAL 5	GDP:	$1,200
I	1		EXP:	$176
P	2		IMP:	$288
X	0		FDI:	$14

Singapore

X-FACTOR In the wake of a global recession, Singapore's prominence among global trade powers has been deflated as its largely export-oriented economy struggles with a lack of domestic market diversification.

T	4	TOTAL 8	GDP:	$155
I	3		EXP:	$236
P	2		IMP:	$220
X	−1		FDI:	$83

Thailand

Thailand's transportation infrastructure is sound, particularly in air and ocean, but political instability and issues surrounding the health of its workforce are impediments to foreign investment.

T	2	TOTAL 5	GDP:	$272
I	2		EXP:	$178
P	1		IMP:	$179
X	0		FDI:	$15

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Asia

Asia's boundless development potential has shown a few cracks over the past year as the global economic crisis spreads. China's exploding middle class presents both a warning and windfall for U.S. businesses. Problems with labor instability and riots are beginning to emerge, which may raise eyebrows for businesses heavily vested in the country. But as U.S. domestic consumption remains slack, Chinese consumers provide a likely target for businesses looking at export opportunities in addition to low-cost sourcing and manufacturing options. While a drop in export demand has impacted both China's and South Korea's economies, Japan faces far greater problems, as confidence in the financial sector still remains low—albeit better than a decade ago. Inflation, congestion, a downturn in global automotive sales, and weak domestic consumption further complicate Japan's economic reckoning. While South Korea faces many of these same concerns to lesser degrees, the specter of North Korea and its bellicose political agenda presents its own uncertainty. Despite these emerging concerns, Asia remains in the crosshairs of U.S. businesses for both imports and exports. Many have made investments in the region for the long term, and while speculative exploration has waned recently, Asia is still a compelling offshore logistics hotspot.

China

X-FACTOR Labor unrest, falling exports, quality standards, and competition from other Southeast Asian countries present some growing pains for China. Still, it remains the overwhelming offshore manufacturing and sell-in target.

T	3	TOTAL 6	GDP:	$4,200
I	1		EXP:	$1,500
P	3		IMP:	$1,200
X	−1		FDI:	$75

Japan

X-FACTOR Lack of confidence in the financial sector, congestion, an aging workforce, and sputtering automotive exports are lingering concerns for a Japanese economy still struggling with the vestiges of its bubble burst.

T	4	TOTAL 6	GDP:	$4,800
I	3		EXP:	$777
P	1		IMP:	$696
X	−2		FDI:	$102

Korea

X-FACTOR Political uncertainty with North Korea remains a thorny issue, taking the luster off of the country's well-developed port and airport facilities, stable leadership, and IT sophistication.

T	3	TOTAL 7	GDP:	$858
I	3		EXP:	$419
P	2		IMP:	$435
X	−1		FDI:	$27

Taiwan

Taiwan has established a reputation for R&D and high-tech manufacturing complemented by a strong transport footprint. Its "sovereignty" from China, and questions regarding political leadership and financial stability, are areas for concern.

T	3	TOTAL 7	GDP:	$402
I	3		EXP:	$256
P	1		IMP:	$236
X	0		FDI:	$16