

New index ranks Hong Kong and Singapore best for trade

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Two Asian economies – Hong Kong and Singapore – occupy the top two positions in the World Economic Forum's Enabling Trade Index ranking, published this week as part of its Global Enabling Trade Report 2008. According to the report, the results bear witness to these two countries openness to international trade and investment as part of their successful economic development strategy.

Covering 118 economies worldwide, the report aims to present a cross-country analysis of the large number of measures facilitating trade. The index covers four key areas: market access, border administration, transport and communications infrastructure and the business environment.

Hong Kong and Singapore were followed by the Nordic countries, Sweden and Norway. Canada, Denmark, Finland, Germany, Switzerland and New Zealand complete the top 10 list.

The report's authors commented that Hong Kong's success has been based on the country's very open market, mirroring a pro-trade attitude and a high dependence on exports and imports, as well as its secure and open business environment. Hong Kong does not apply tariffs on imported products, and the business environment is open to investment and foreign workers. At the same time, transport and telecommunications infrastructure is well developed and border administration is efficient, although businesses express some concerns about the level of corruption.

Singapore also boasts a highly efficient and transparent border administration, an open business environment, and well developed transport and communications infrastructure. Customs procedures are assessed as the least burdensome and the cost of importing goods is the lowest among the countries covered. However, access to Singapore's market is fairly difficult.

The report found that Germany, the largest economy in the top ten, benefits from an excellent business environment, with a regulatory environment that is conducive to the functioning of the logistics and transport industry, and an excellent security environment for businesses operating in the country. The transport and communications infrastructure is also among the best in the world, with transport services in particular ranking 2nd out of all countries: the logistics industry gets excellent marks for competence (4th), shipping is easy and affordable (also 4th) and its postal service is among the best in the world (3rd).

The United States ranked 14th in the index helped by a transport and communications infrastructure which is amongst the best in the world (3rd). It also offers good market access (6th) with relatively low tariffs and non-tariff barriers, and a strong propensity to trade, as demonstrated by its relative openness to multilateral trade rules. On the other hand, the country's border administration is seen as lacking some efficiency. For example, customs procedures are seen as comparatively burdensome (42nd), and there is a relatively high cost to import (65th). In addition, there are some concerns about security in the country. The anti-terrorism rules are not only adding to costs but impeding the free flow of people. There is also the perception that the country is becoming more difficult to do business with due to the security regulations.

Two places below the United States was the United Kingdom. The country is endowed with a comparatively good transport and communications infrastructure (8th), particularly related to the quality of its transport services. Its border administration gets relatively good marks (14th), with low levels of trade-related corruption, clearance perceived to be relatively efficient (13th), and few documents required to import (3rd), although it is somewhat costly (77th) and requires more time than in several European countries (27th).

China occupies the 48th position. According to the authors, this fairly low position for one of the world's most successful exporters highlights a number of underlying weaknesses in China's economy and its trading regime. Although its economic success relies heavily on exports, imports are still severely inhibited by tariff and non-tariff barriers, despite the country's accession to the WTO. The country ranks 108th out of 118 economies on tariff barriers, which amount to almost 15%. The country's border administration is fairly efficient; importing products is not costly, although it can be quite time-consuming. A particular concern when exporting and importing is the lack of transparency of border administration, which can be particularly heavy for foreign businesses. Because of large export volumes, the country is well connected to international markets; yet, its transport infrastructure is not on a par with the world's best. The report concluded that improvements to the regulatory and security environment would further enable trade. In particular, greater encouragement of FDI and more openness to foreign air transport service providers would help.

For more information on The Global Enabling Trade Report 2008 published by the World Economic Forum, follow the link to www.weforum.org/getr08.

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