

The Global Enabling Trade Index2010

Vietnam improved most ! while Japan continues dropping

(“The Global Enabling Trade Report 2010” published by World Economic Forum)

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Last fiscal year, we IBPC made a report on the WEF'S report of 2009, with our summary and comparison table among 121 countries/economies under the title “ Is it easy to trade with Japan? “ We would like to make our report also this year by extracting and summarizing WEF's report as follows.

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1) The Global Enabling Trade Report 2010 by WEF

World Economic Forum(hereinafter referred as WEF) which is very well known with its so-called Davos-Meeting published “The Global Enabling Trade Report 2010” on May 19th,2010, by analyzing the detail of the recent situation of policy, regulation, infrastructure, business environment etc. in each of 125 countries and economies in the world.

This methodology, first published in 2008, measures the ease of getting goods across borders and to destination. It has been developed by the WEF in collaboration with leading companies from the logistics and transportation sectors and experts from trade-related international organizations.

Ranking Table attached hereto shows the ranking list from Singapore as the 1st place through Burundi as the 125th in order of each Overall Index, together with each rank of 4 Sub-indexes of Market Access, Border Administration, Transport & Communication Infrastructure and Business Environment.

So further details are to be referred to this Table.

The overall Index ranking is shown together with the comparison with 2009-ranking.

2) GENERAL

a) Comments of WEF

The economic crisis has highlighted the importance of trade for the global economy. Throughout the crisis there has been remarkable resilience against the threat of protectionism; this observation is by and large confirmed by the Index results. Just as trade was key to spreading the slowdown internationally, so can trade be an important driver in diffusing the benefits of recovery across the world, as open borders benefit not only the domestic economy, but also that economy’s trading partners.

The results mirror the resilience against the threat of protectionism during the economic crisis. International agreements such the WTO framework and pledges by

the G20 have contributed to limiting the effect of protectionist pressures on trade barriers. Despite fears of rising protectionism, the report confirms that a large majority of countries did not raise trade barriers.

b) The enabling trade index 2010 Ranking

According to *The Global Enabling Trade Report 2010*, East Asian economies – **Singapore and Hong Kong SAR** – continue to occupy the top two positions in the Enabling Trade Index ranking, as the most open economies to international trade in 2010, followed by **Denmark, Sweden and Switzerland**.

New Zealand moves by five ranks to 5th place. **Norway, Canada, Luxembourg and the Netherlands** complete the top-10 list. **Iceland** enters the ranking for the first time at 11th position, and **Finland** drops out of the top 10 to 12th place.

Among the large economies, **Germany** is the best performer at 13th, ahead of the **United States**, which drops by three places to 19th. **China** (48th) and **Brazil** (87th) remain stable, while **Turkey** (62nd), **India** (84th) and **Russia** (114th) drop in the ranking.

“**Vietnam** realized one of the biggest improvements in the ranking this year, climbing by 18 places to the 71st position among 125 countries. The country’s accession to the WTO in 2007 supported this move, as tariffs were lowered and the country’s exporters gained better access to markets of other members (as mentioned in the following 4.Vietnum) .

Countries such as **Ukraine** and **Mauritius** have lowered tariffs, while **Russia’s** markets are still the most protected among the countries assessed.

In general, as fundamental structure or situation in almost countries and economies seem to be unchanged since last year, except some particular countries like Vietnam, this year we would like to focus on the assessment of WEF only for Japan and 3 Asian countries in which many businessmen have keenest interest especially nowadays, including Vietnam who is said to be rapidly opened recently, China and India both of whom are called as BRICs in Asia.

The general description of economic feature and indexes with comparison table for each country and economy in 2009 are to be referred to our report of last year titled “ Is it easy to trade with Japan? “ and its attached tables 1 & 2.

3) Japan

Japan, at 25th, loses two positions this time. < It should be however considerable that Japan lost 10 positions already in 2009!>

The country has one of the most protected domestic markets in the entire sample. At 25.3 percent (111th), import tariffs on agricultural products move toward prohibitive levels (121st among 125 countries) ; in addition, the market is protected by frequent recourse to non-tariff measures. The highly complex tariff schedule (93rd) is difficult to navigate for business. The openness to foreign participation is limited (77th), as manifested in the difficulty of hiring of foreign labor; restrictive rules on FDI; and, consequently, infrequent foreign participation. At the same time, Japan’s border administration is transparent and efficient, albeit businesses express concerns about the burden of customs procedures. Last but not least, the quality of transport-related services is world-class (4th), with the most efficient postal service worldwide and high level of logistics competence (7th).

At the same time, the assessment of the quality of transport infrastructure is less somewhat positive (20th) and mixed across the different modes of transport. Although the quality of railroads is world-class (2nd), air transport infrastructure lags behind the world’s best (48th).

4) Vietnam

Vietnam posts one of the biggest progressions among all countries, leaping 18 places to 71st position.

The improvements in the country’s trade environment reflect Vietnam’s commitments following the country’s recent accession to the WTO (in 2007), which is leading to a significant liberalization of trade in goods and services over the phase-in period to 2012. This is reflected in the ETI in Vietnam’s improved ranking in the market

access component (50th). Despite progress made, Vietnam's tariff schedule remains complex in some respects. The area of biggest concern, however, is in border administration.

Recent efforts to streamline the efficiency of the country's customs led to an improvement in the related category, albeit from a low base (107th).

Simultaneously, the low rank of 104th for the transparency of border administration indicates room for improvement in this area. Trade could be further enabled by upgrading the country's transport infrastructure, which is in a dire state (103rd). Low airport density (104th), poor road quality (95th), and insufficiently developed port facilities (93rd) indicate that the booming economy is straining the country's infrastructure.

The assessment of transport services is much more positive. Vietnam improves its scores on all indicators composing this category and ranks 31st. Finally, Vietnam achieves mixed results in the business environment component (64th). Openness to foreign participation is limited because of the low prevalence of foreign ownership (102nd) and limited participation in multilateral trade rules (102nd), and despite the openness toward FDI (26th) and foreign labor (46th).

(5) China

China, the world's largest exporter and one of its fastest-growing countries, progresses one rank to 48th position; it ranks 3rd within the lower-middle-income country group. Although considerable room for improvement remains in every component of the Index, China's performance appears in a different light when compared with its BRIC peers. India, its closest contender, lags 36 places behind at 84th, followed by Brazil at 87th, while Russia follows at a much lower 114th.

The availability and quality of transport services constitute the main areas of strength for China (18th).

In particular, the country tops the Liner Shipping Connectivity Index and obtains very good and improving scores on most of the other indicators in this category.

By contrast, transport infrastructure (57th) still presents major shortcomings, in particular with respect to air and sea transport infrastructure. China's customs procedures are assessed as fairly efficient (33rd), especially when compared with the other BRIC economies—the closest being India, at 72nd. Average fees associated with

importing and exporting goods are among the world's lowest (3rd), at US\$545 and US\$500 per container, respectively. However, the time required to complete these procedures ranges from 21 to 24 days, far longer than in Singapore, for example (3 to 5 days). While being fairly efficient, border administration remains subject to irregular payments and corruption, as reflected in China's results on the related variable (51st) and the 65th position in the Corruption Perceptions Index.

China ranks 79th on the market access component, owing to the high import tariffs of 11.8 percent (108th) it levies as well as the very narrow margin of preference (122nd) granted in destination markets. Finally, the quality of the Chinese business environment, the fourth main component of the ETI, improved somewhat (41st, up eight notches), but important constraints persist with respect to the efficiency of the financial sector (73rd) and some aspects of the openness to foreign participation (50th), including the restrictions placed on international capital flows (117th).

(6)India

India ranks a low 84th, owing to a mixed performance in the ETI. Among the nine pillars of the Index, the country's highest ranking is 47th—in the regulatory environment pillar—and it attains only a very low 115th on the market access pillar. The domestic market is protected through tariffs of 13 percent on average (115th), which are particularly high for agricultural products (40 percent, 121st). Further, only 17 percent of all imports enter the country free of duty (112th). Adding to the costs, the structure of tariffs is difficult to navigate (89th)

because of the large dispersion of tariffs (107th) and the high number of distinct tariffs (94th), including many specific tariffs (90th). Trade is also impeded by customs procedures, which remain largely inefficient (72nd). In addition, exporting and importing require much time and paperwork to clear goods at the border, and the process is plagued by corruption and bribery (82nd).

India's good connectivity and some aspects of India's general regulatory environment (47th) brighten somewhat this rather bleak assessment.